Daily Report

Latin America

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FBIS-LAT-95-158 *16 August 1995*

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Cuba

Zambia Supports Struggle Against U.S. Blockade

PA1608041695 Havana Radio Rebelde Network in Spanish 1700 GMT 14 Aug 95

[From the "National Radio News" newscast]

[FBIS Translated Text] Zambia has announced it will continue to support Cuba's struggle against the U.S. blockade, in force for more than 30 years. Zambian Deputy Finance Minister Paul Tembo stated his country's position stressing that his country believes the blockade should be lifted.

Noemi Benitez, Cuban vice minister for foreign investment and economic cooperation thanked Deputy Minister Tembo for Zambia's gesture and support in the human rights framework.

Cuba and Zambia signed an agreement by which Zambia will receive assistance from 200 doctors and 20,000 doses of the meningitis vaccine.

Article Examines U.S. 'Track Two' Strategy

PA1508134395 Havana PRENSA LATINA in Spanish 0852 GMT 9 Aug 95

["Exclusive" article by Edel Suarez of PRENSA LATINA: "The Torricelli Law's Second Track"]

[FBIS Translated Text] Havana — Cuba's security corps are on the alert for the use of the so-called "Torricelli law's track two," the latest mechanism in the United States to try and undermine the Cuban revolutionary process from within.

President Fidel Castro revealed this existence of this mechanism in his speech in Guantanamo at the ceremony marking the 42d anniversary of the assault on the Moncada barracks.

After noting that the enemy is not relenting in its efforts to destroy the Cuban revolution, Fidel Castro explained that there are two schools of thought: one that aspires to carry out this task from outside the country, and one that seeks the same objective from within, by building different bridges.

Local experts agree that the struggle by enemies of the Cuban revolutionary process began on 17 May 1959, when the revolutionary government abolished large landholdings by promulgating the first land reform law.

From that moment on, U.S. authorities intensified their efforts to destroy the fledgling Cuban revolutionary process through drastic measures promoted from abroad, combined concurrently with plans to create internal destabilization.

The most salient manifestations of those efforts undertaken from the United States were the suspension of sugar purchases, cancellation of oil sales, and incursions by light aircraft to burn sugarcane fields. They reached their peak with the invasion of Playa Giron in 1961 and the imposition of an economic blockade during the following year.

At almost the same time, destabilization plans began from within by encouraging resentment among different revolutionary groups that had not merged into a single political organization and by promoting the brain drain to the United States, among other measures.

The United States tried to support this struggle with the creation in 1960 of the so-called "Radio Swan," which operated from the Honduran island of the same name. The station was organized, under the sponsorship of CIA, as a weapon for promoting internal ideological strife.

The use of radio waves for this purpose has been continuous in recent years, to the extent that in 1985 a radio station (Radio Marti) directed especially against Cuba was set up. This joined the 30-odd other radio stations that broadcast over 1,000 hours a week of anti-Cuban propaganda.

This attempt at destabilization from the outside was complemented by the U.S. Congress's adoption of the Torricelli Law in 1992, which uses the so-called track two to ease academic exchanges in the field of social sciences.

The idea is to ease exchanges between the two countries of sociologists, philosophers, English professors, historians, and Cubanologists [Cubanologos] in sectors regarded as ideologically "more permeable."

Curiously, in Washington, which adamantly opposes travel by its citizens and Cuban-Americans to Cuba as tourists or to visit their relatives, is willing to promote these exchanges, that are also often accompanied by hefty stipends.

Within the framework of these plans nothing is ever said about exchanging experts in cybernetics, computers, and other specialties that could be useful to Cuba but are in no way related to ideology.

This pragmatism, which has been around since the 1960's, of using a variety of instruments to dismantle the Cuban revolutionary process from the outside, as well as from the inside, has been a constant factor, although at certain times one method has prevailed over the other.

The reinforcement of efforts to destabilize Cuba from the outside has become more pronounced since the

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European socialist camp crumbled in 1989 and the Soviet Union disintegrated.

Cubanologists in Washington charged with furthering plans against Cuba believe that the experiences gained in accelerating these processes and the discouragement that some sectors of the Cuban population felt as a result of these changes make it advisable to give priority to sponsoring subversion from within the country.

Hence, the sponsors of the Torricelli amendment came up with track two, which allows exchanges of experts, news media delegations, trips by human rights organization leaders, etc.

Visits by the latter aimed at encouraging the creation in Cuba of a deceptive structure of mini human rights groups with scant social support but aimed at supporting propaganda work, both from outside and inside the country. [sentence as received]

Commentary Describes U.S. Propaganda Methods

FL1508213895 Havana Radio Rebelde Network in Spanish 1155 GMT 15 Aug 95

["Our Opinion" commentary by Eduardo Dimas; from the "Doing Radio" program]

[FBIS Translated Text] I think you will agree with me that we are somehow an exception in Latin America and the Caribbean. We are the only nation that has solved many of the problems still plaguing most underdeveloped countries and which, according to the Miami Summit accords, will not be solved here in the Southern Hemisphere until the year 2,010.

Of course Cuba was not invited to that summit, not because we have already solved those problems, but because they wanted to isolate us from Latin America and the Caribbean. That is why we are the only state that is systematically blockaded.

On 30 July, Richard Nuccio, Cuban affairs adviser to the U.S. State Department, and President William Clinton were interviewed by THE WASHINGTON TIMES, during which he described the policy on Cuba as follows. I quote: The policy has three parts. The first is the embargo, the most comprehensive economic embargo the United States has implemented against any country. It has been in place for 30 years, but has had a significant impact only since 1988-1990 when the Soviet subsidies and the network of economic ties with Eastern Europe disappeared. The second part is what we like to call support for the Cuban people — telephone communications. Long-distance calls between Cuba and the United States were authorized and have drastically increased in the last year. This allows us to monitor what happens in Cuba. It enables family members to communicate. This part of the policy is contained in the Cuban Democracy Act in that the United States must be ready to respond in a positive, careful manner to events taking place within Cuba. End of quote.

No comment is necessary! I would only like to point out that U.S. authorities apparently monitor family telephone calls, and that the renowned policy of the carrot and the big stick remains their standard despite the fact that 35 years later, it has yet to work for them. On the other hand, there is the highly touted second alternative, which many call the Embrace of Death, which seeks to bring together certain sectors — mainly intellectuals — by means of scholarships, contracts, invitations, etc. to influence them and try to shift their principles and views. That second alternative might include mass visits by relatives, both ways, to popularize a lifestyle completely foreign to the Third World in which we live.

In other words, the policy described so well by Nuccio seeks to choke us, make our lives as miserable as possible, and show us what we are missing by not agreeing to do what they want. It is a criminal policy, highly cynical and unscrupulous. You all know someone who would like us to make concessions in order to attain a lifestyle which no one can be assured will be delivered once they fulfill their goals. In Nicaragua and Panama, much was promised and nothing was delivered. That is not what is important. What is important is that there are principles of national dignity, sovereignty, or even manhood, if you like, which make it impossible for one to accept such a policy. In my opinion, whoever cannot understand this is unable to understand that there are things in life loftier than comfort. In this, they are like those who carry the Annexationism parasite as a result of a congenital inferiority complex.

Think about it, and you will agree with me.

Foreign Ministry States Concern Over Former Yugoslavia

PA1508235795 Havana PRENSA LATINA in Spanish 2042 GMT 15 Aug 95

[FBIS Translated Text] Havana, 15 Aug (PL) — The Cuban Foreign Ministry today expressed deep concern over the course of the crisis in the former Yugoslav federation, particularly in the wake of the recent Croatian offensive.

In statements to PRENSA LATINA, Rafael Dausa, spokesperson for the Foreign Ministry, said "We have greeted the latest incidents, which have taken place in the former territories of Yugoslavia, with deep concern."

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The human and material losses, the largest exodus ever registered since fighting broke out in the area, and new elements of tension that have emerged following the latest incidents, reaffirm the conviction to Cuba that force cannot be used to secure a just peace, Dausa noted.

A peacekeeping process in the region should respect the interests of each one of the communities that inhabit the territories of former Yugoslavia, the spokesperson added.

"With this in mind, Cuba appeals to all the direct or indirect factors implicated in the conflicts in the region, and urges the adoption as soon as possible of a cease-fire and holding of global negotiations that will allow a balanced and sustainable agreement to be reached."

In that sense, it notes that "the responsibility of the international community, increasingly committed with the unsatisfactory evolution of the situation in the region, must be directed toward that end, based on a firm consensus, or risk the spread and potential escalation of the war."

The differences between Croatians and Serbians sparked an escalation of violence last week, which caused tens of thousands of refugees to flee toward neighboring Bosnia-Herzegovina and Serbia.

Cabrisas States Satisfaction Over ACS Summit Preparations

PA1508223095 Havana PRENSA LATINA in Spanish 1158 GMT 15 Aug 95

[By Frank Gonzalez: "Cuba Is Pleased With Preparations of Caribbean Summit"]

[FBIS Translated Text] Port-of-Spain, 15 Aug (PL) — Cuban Minister of Foreign Trade Ricardo Cabrisas stated today his satisfaction with the development of the preparations for the Summit of the Association of Caribbean States (ACS).

In statements to Cuban reporters assigned to cover this major event, Cabrisas said that deliberations by experts are moving along the right course and should conclude tomorrow to open the way to the ministerial meeting.

Delegates of the 25 sovereign nations and 11 independent territories that constitute the ACS, in addition to representatives of businesses and international organizations are participating in the technical consultations on the documents that will be presented to the presidents.

Tourism, trade, and transportation will be the main topics to be discussed at the conference of chiefs of state and government scheduled for next Thursday and Friday.

Cuba, which has played a very active role in the creation of the new regional organization, is attending this preliminary stage with a group of top-line specialists, including several vice ministers.

Cabrisas believes that choosing tourism, trade, and transportation as the cornerstones to strengthen the ACS in this stage, although he said that later on, other topics such as investments, health, and education will be incorporated.

As the organization is formed — he pointed out — other topics can be discussed, considering that the central objective is integration.

Concerning Cuba's ties with the other Caribbean countries, Cabrisas remarked that trade with the member nations of the ACS amounts to approximately $750 million a year, of which approximately $100 million correspond to the islands.

This is coupled with the reestablishment of economic associations with businesses of the region in the past two years.

Referring to relations with Trinidad and Tobago, Cabrisas noted that they are on the rise and announced the upcoming opening of a Cuban Embassy in this capital. Cabrisas and Minister of Public Administration and Information Gordon Draper talked about this matter yesterday.

The Cuban official also met with Minister of Trade and Industry Kenneth Valley, who promised to study the possibility of attending the upcoming international fair in Havana accompanied by a group of businessmen.

ANPP Delegates Discuss Financial Outlook, Foreign Investment

Delegates Meet With Party, Government

PA1508214195 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 13 Aug 95

[Report by Maribel Acosta and Hilda Suarez from the "NTV Newscast"]

[FBIS Translated Text] The delegates recently elected in Havana met at the Havana National Theater today with party and government authorities, both local and national.

During today's meeting with the 1514 delegates to the National Assembly of the People's Government [ANPP] in the capital, Carlos Lage, secretary of the Council of Ministers' Executive Committee, said the country's financial situation makes it impossible to speak of recovery, although there are positive signs in the economy.

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Lage mentioned the productive increase in the extraction of crude oil and nickel, the manufacturing of steel, and agricultural crops, although the latter are still insufficient. Lage announced that the Cuban economy grew by 2 percent during this year's first semester and that the sugarcane crop has decreased again but it is expected to recover during the 1995-1996 crop.

In addition, ANPP president Ricardo Alarcon explained in detail the Helms-Burton Bill and the probable consequences of its enforcement in Cuba.

Conrado Martinez Corona, president of the Havana government, detailed for the more than 1500 delegates the most important activities linked to services. Regarding the housing problem, he said there are solutions such as repairing and refurbishing of buildings, among other options, and announced the implementation of a transport reorganization and gasoline management program.

Finally, Esteban Lazo, First Secretary in the City of Havana, invited everyone present to correct the indiscipline problems in the society.

Alarcon Previews ANPP Session

PA1508180895 Havana Radio Havana Cuba in Spanish 0000 GMT 15 Aug 95

[Interview with Ricardo Alarcon, president of the ANPP, by Pedro Martinez Pirez on 13 August; place not given; from the "Evening Information Review" newscast — recorded]

[FBIS Translated Text] [Martinez] Beginning 4 September, Cuba's National Assembly of the People's Government [ANPP] will meet for a period of sessions that corresponds to the first semester of 1995. Important items on the agenda are the debate and probable approval of a new draft investment proposal. This is why Radio Havana Cuba is interviewing ANPP President Ricardo Alarcon.

Alarcon, please discuss the importance of this draft investment proposal and its meaning on an international level.

[Alarcon] This proposal is part of the measures and actions we have been taking to deal with the country's current economic crisis, to handle the Special Period during peaceful times, and confront Cuba's situation, as it has developed since the collapse of the Socialist world and the tightening of the U.S. embargo.

As you know, we in the current legislature have worked hard on this matter. This subject has been the legislature's focus since we adopted general outlines to deal with the crisis, approved the tax system (?implementation) law, applied other measures, and exerted more stringent and firmer budget control from the ground up, a control which has been revealed by important progress in the effort to balance the budget. These and other measures have resulted in better financial reorganization.

An important part of the strategy of the Cuban Revolution is opening the country up to foreign capital and developing foreign investment, which constitute both a necessary factor for dealing with the crisis and the only possible means of getting capital and technology and of gaining access to markets. This all has already been reflected in the recovery of some important sectors in the Cuban economy, such as nickel, citrus fruits, petroleum, and others. We expect the sugar industry to begin showing important signs of recovery, starting with this year's crop and following with next year's, because — among other reasons — of the considerable loans we are getting for this sector.

Decree-Law 50, which served as the legal framework for regulating foreign investment in our country, is still valid. The country is gradually overcoming its difficulties. The increasing presence of foreign capital in Cuba is evident. We think it necessary to update legislation and make it more comprehensive, complete, and general. We seek to establish standards that prove to be more transparent and which would simplify processes and define our policies, areas where foreign capital would be more visible, procedures for authorizing its use, and regulations to govern this activity in the country. In other words, that law would be similar to that in many other countries and would govern this very important area of the economy.

As you said, the ANPP will meet in a plenary session on 4 September. We expect commissions to be formed and the necessary conditions to be created so that the project can be approved this time. Meanwhile, deputies are holding debates in all provinces and territories throughout the country. Deputies have already (?met) with provincial authorities and leaders as a means of determining the opinion of the largest possible number of people.

Also, the economic affairs commission and the constitutional and legal affairs commission will hold a preliminary meeting in Havana on Tuesday. These commissions have discussed foreign investment on several occasions, the most recent of which was a couple of weeks ago. This time they are going to have the first discussion of this law at a meeting to which we have invited other deputies. We have also invited the leaders of the Association of Cuban Economists, of the Union of Cuban Lawyers, and of other important groups, like newsmen, for example. In this manner, we will be able

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to thoroughly examine the whole law, not just the specific text of the law.

Later, there will be meetings in all provinces, and we will also make an effort to take into consideration the criteria of all social organizations in the country. We are going to make full use of the period that runs from tomorrow, Monday, through 4 September for parliamentary commissions to hold meetings with deputies from the provinces, meetings with other groups in the people's government. We will also hold exchanges with other institutions in Cuban society, so that by 4 September we will have the broadest and most fruitful consensus possible on a draft law that I am sure will be approved and which will be of great importance in the Cuban strategy for facing the blockade and coping with efforts trying to strangle our country.

Right now, these are centered in the Helms-Burton bill, that seeks precisely to hinder investment in Cuba. It tries to prevent it, to create obstacles to this process that is taking place and which will continue to take place. Not even that bill will significantly affect it.

[Martinez] Alarcon, does this mean that Cuba will abandon its policy of wholeheartedly defending the [words indistinct] sovereignty and the protection of its natural wealth?

[Alarcon] Absolutely not. There are countries in which foreign investment can occur without any regulation, without authorization, without there being any state organizations that control and supervise it. That is the case in some countries. Many Latin American countries have rules very similar to the ones our draft law will consider. We are trying to regulate, to establish norms in a process which is needed in surpassing the economic crisis in our country, for advancing in this country the economic and social development of Cuba, [words indistinct] of a sovereign and independent country. Our country seeks cooperation and foreign participation in those areas where the terms are to our advantage and where our sovereignty is respected. This is not impossible.

Hundreds of foreign businessmen have come to Cuba. Important foreign investments have been made in Cuba. These investments respect our sovereignty, contribute to our country, are respectful of our [words indistinct]. In other words, there is a real chance of establishing, developing, improving respectable ties that benefit both of us, that is, the investor and the country. There are many examples of that. We are sure that far from harming the sovereignty and independence of Cuba [words indistinct]. If not, just ask Mr. Helms about that. The defense of the independence of Cuba is most important in this process of improving foreign investment.

In the same way that our law will succeed and theirs will fail, Cuba will become more independent, it will overcome the crisis, and it will restore itself to the path to development.

[Martinez] In addition to this draft law that will undoubtedly be the main topic of this period of sessions of the ANPP, will other issues be discussed?

[Alarcon] We have plans for the ANPP to examine a topic that has been discussed throughout the country, from municipalities to the national level: the development of aquaculture. This is most important at this time for meeting the food needs of the people, for developing this which dates back in history to the times of the early Egyptians and the Chinese culture of thousands of years ago. However, it has not developed fully in some countries, including Cuba.

We also believe the ANPP session should make a general assessment of the progress of the financial and economic measures we have adopted. This session should serve as preparation for our debate in December, when we expect to approve next year's budget and consider the outlook for our economy. The December meeting will focus on these subjects. A preliminary review of the country's economic situation should take place during the September meeting.

We have other documents that could be examined again now. Nevertheless, they would probably require longer debate. We will continue with the process of greater participation and debate on subjects like ANPP regulation and a draft proposal on removing or dismissing deputies and provincial delegates. For some time, we have been debating a proposal that will eventually become a law on citizenship. We do not want to hurry the debate of any of these three subjects I have mentioned. The more we debate and the more ideas we contribute, the better.

Commissions To Debate Foreign Investment Bill

FL1508191695 Havana Radio Reloj Network in Spanish 1403 GMT 15 Aug 95

[FBIS Translated Text] On 15 August, deputies of the National Assembly of the People's Government's [ANPP's] Economic, Constitutional, and Legal Affairs Permanent Commissions will conduct a preliminary discussion on a foreign investment bill. Provinces will review a draft on this bill in meetings to take place between Thursday and Saturday, at which participants will be informed on the bill's scope, contents, principal characteristics, and other issues.

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The meetings will also help to clarify the necessary topics before the ANPP's final debate. The Economic, Constitutional, and Legal Affairs Permanent Commissions will meet again on 25 August to evaluate deputies' proposals.

Increased Investment Attracts Western Banks' Interest

MS1508102695 London FINANCIAL TIMES in English 15 Aug 95 p 4

[Report by Pascal Fletcher: "Western Banks Test The Water in Cuba"]

[FBIS Transcribed Text] Growing foreign investor interest in Cuba has attracted pioneering foreign banks hoping that an early presence in the island's changing economy will be rewarded with a bigger share of future business.

In mid-1994, the Dutch ING Bank became the first wholly foreign-owned overseas bank to open a representative office in Cuba. Since then, banks from Spain, Canada and Lebanon have also been authorised to open offices.

Cuba's current legislation does not permit foreign banks to have full branches.

"This is an under-banked market. There are very good banking opportunities," said Mr Peter Boot, representative in Havana of both the Dutch ING Bank and its Curacao-based subsidiary, Netherlands Caribbean Bank.

"We are traditionally a bank that has gone into the emerging markets. So why not Cuba?" Mr Boot said. "We think we should be here on the spot to analyse the opportunities as they come and profit from them."

Others have followed ING's lead. Banco Exterior de Espana, part of the partially privatised Spanish banking group Argentaria, opened its new offices in Havana in the spring. Montreal-based Banque Nationale de Canada, Fransabank of Lebanon, and most recently, Spain's Banco Bilbao Vizcaya, have also obtained licences to open offices.

Fransabank is believed to be interested in investing in Cuba's sugar sector, which sees the Middle East as a growing potential market for Cuban raw sugar. Other overseas banks, such as Spain's Banco Sabadel, are understood to be negotiating representative licences in Cuba.

For banks with big US operations, the US trade and financial embargo against Cuba remains a disincentive. Nevertheless, a growing number of foreign business delegations visiting the island invariably include a clutch of bankers wanting to check out opportunities.

"We see increasing interest from investors in Cuba and we're here in response to that," said Mr Mark Coombes, an executive director in the London merchant banking division of Australia's ANZ Bank, who visited Cuba earlier this year.

Most visiting bankers agree that, in spite of the continuing US embargo, investor interest in the island is picking up as the government opens more of the state-run economy to foreign capital and pushes ahead with cautious and controlled, but nonetheless liberalising reforms.

"The idea is to watch and see how it goes... the important thing is to have the way cleared for when it opens up," a European banker said.

The bankers cited good potential business in tourism, mining, sugar, non-sugar agriculture and citrus farming. Large overseas corporations, such as Mexico's Domos Group, Canada's Sherritt and Australia's Western Mining, have announced long-term multi-million dollar investment projects.

The banks now represented in Cuba either have previous experience in dealings with the island or have large corporate customers either interested in investing or already doing business there.

In early 1994, ING Bank was involved in two financing operations in Cuba. One was a $21m (13.3m pounds) line of credit for a nickel/cobalt processing plant, followed almost immediately by $25m for the state sugar selling company, Cubazucar.

Banco Exterior de Espana's presence in Cuba followed its link to a similar financing deal last year, in which Spain's Tabacalera, a big buyer of Cuban tobacco and cigars, agreed to fund inputs for Cuban tobacco production.

ING Bank has another tie to Cuba. The other partner in its Curagao-based subsidiary, Netherlands Caribbean Bank, is a Cuban-run, Liechstenstein-based international shipping group called ACEMEX whose Cuban president, Mr Francisco Soberon Valdes, was in January named as the new head of the Cuban central bank.

In addition to being squeezed by the US embargo, Cuba has been virtually starved of fresh medium- and long-term credit from the west since negotiations with its Paris Club creditors stalled in 1986. Some western bankers who this year met Mr Soberon and Mr Jose Luis Rodriguez, finance minister, said Cubans appeared more willing than before to discuss possible solutions to Cuba's $8.6bn convertible currency debt.

For the moment, domestic banking operations in Cuba remain the domain of the state, represented by the

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Banco Nacional de Cuba, whose London subsidiary, the Havana International Bank, also has a representative office in Cuba. Convertible currency operations are handled by the Banco Financiero Internacional, in existence since 1984, and the Banco Internacional de Comercio, which began in early 1994. There is also a domestic savings bank, the Banco Popular de Ahorro.

"There's room for a lot more banks here," said ING's Mr Boot. "I think there will have to be an opening on the financial side," he added.

Article on Foreign Investment Legislation

PA1508222895 Havana PRENSA LATINA in Spanish 0625 GMT 14 Aug 95

["Exclusive" article by Annet Cardenas Vega: "Foreign Investments: Business in Good Legislation" — special for PRENSA LATINA from BOHEMIA magazine]

[FBIS Translated Text] Among the many vicissitudes of this very special period, foreign investments in Cuba have become more prominent, just as the familiar iceberg at first reveals only its very tip and later shows its full size.

Yes, we are an open economy, dependent on exports. With that in mind, Decree-Law 50 of 1982 was promulgated to regulate the establishment of business partnerships between Cuban and foreign entities.

The latest figures, as Octavio Castilla, vice minister of foreign investment and economic cooperation, told OPCIONES weekly, are 209 partnerships of this kind. Total investment, including capital paid and loans received through this means, was close to $1.5 billion at the end of 1994.

These efforts should not shame us because, as Omar Everleny Perez, deputy director and researcher at the Center for Cuban Economy Studies [Centro de Estudios de la Economia Cubana — CEEC], said so aptly, one defining characteristic of underdeveloped countries has been the need for all kinds of foreign financing. Things are no different in Cuba. In fact, Cuba has to endure more pressure because it does not belong to any multilateral financial organizations and its access to bilateral credits is very limited because of difficulties in meeting foreign debt obligations.

Also, the possibility of negotiating these debts in terms of direct investment in the island is of vital importance to Cuba. This is how financial relations with Mexico have been regulated to a certain extent.

However, despite the fact that Decree-Law 50 was promulgated early on in the process, it was not until 1988 that it was implemented for the first time with the debut of Cubanacan tourist corporation and with investments in the construction of Sol Palmeras Hotel.

In spite of the growing size of foreign investments, so far their role has been to complement Cuban-owned resources, both material and human resources, assets, and infrastructures.

Generally speaking, the door has been opened wide enough to permit a search for solutions to basic issues like diversification of exports, both in terms of quality and quantity; purchases of raw materials; influx of fresh capital; securing of new markets; acquisition of advanced technology; and finally, although no less important, introduction of advanced economic and business methods.

But time passes, and circumstances change. The Cuba of 1995 is not the Cuba of 1982: Changes have come to the unsteady field of foreign investments.

Reforms to the Constitution in 1992 introduced changes; ownership of joint ventures was recognized. These enterprises were authorized to import goods and merchandise, something that until then was an exclusive function of the state.

The changes include the much-awaited Foreign Investment Law, which some investors view as something that, from a legal point of view, is much more important than a decree-law and whose promulgation has prompted Cuban economists in charge of the project to swallow who knows how many aspirins.

There is talk and debate about this. Everybody agrees that this is no easy task. This is easy to understand: Many social, economic, and political factors must be taken into consideration.

According to some foreign businessmen interested in good performance by joint ventures, existing legislation is flexible and attractive. To others, like Juan Jose Gaiteiro, director general of Voltor Engineering and Equipments S.A., it is so imprecise that "allows negotiation of everything."

Advantages provided by Decree-Law No. 50 in terms of taxes are obvious, although it is possible that certain aspects of it may be changed. Right now, taxes amount to 30 percent of net annual revenue, but amounts reinvested to increase fixed capital in joint ventures and investments in other forms of economic associations are deductible from the 30-percent tax.

Revenues used for funds to encourage the workers and revenues assigned to cover contingencies in other objectives agreed on by the partners are also deductible.

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Many of the issues open to negotiation include processes for securing operation licenses. The new law must try to clearly cover a mechanism capable of securing projects and of establishing definite deadlines, which could be of 60 days, beyond which silence would mean rejection. It is fundamental that the new law guarantee faster negotiations, analyses, and authorization.

According to the Spanish Embassy's commercial and economic adviser, Luis Cacho, many association plans of Spanish businessmen succumb because of delays in the approval process. Businessmen end up getting tired and going back home, with one less dream.

In the opinion of the economist Everleny, "the slowness in the negotiations process could be resolved with a simplification and decentralization of the approval and control process, depending on the importance and extent of the project. This would permit increased operational efficiency. Only projects of strategic importance would be reserved for analysis and authorization at the highest government level."

It is very likely tha. most of the agreements will be put under the authority of the Foreign Investment and Economic Cooperation Ministry and that the government will reserve for itself the right to approve investments on tourism, a very lively sector; on sugar, or on areas related to the country's defense and security.

At that level would also remain large capital investments, and investors not requiring association with anyone to establish their business in Cuba.

Another innovation could be the possibility of foreign businessmen to invest on real estate, an opening being awaited by important firms such as Canadian Cubalink. Another innovation would be the establishing of so-called industrial parks to facilitate the flux of foreign capital.

This is just as important as the approval of free zones — an expanded variant of the Havana-in-bond storehouses — whose operations would involve imports, exports, storage, and the transformation or reexporting of merchandise.

Regarding stocks, which at the beginning was restricted to 51 percent for the Cuban side and 49 for the foreign partner, circumstances forged flexibility and now foreign investors can own 100 percent of the stock.

There are some who believe this possibility would be the exception to the rule. Vice Minister Castilla is in this group. He does not favor either any significant modification of labor relations. In his opinion, free recruiting of employees would further widen incipient social differences resulting from the earning of income in national currency by some, and in foreign currency, by others.

This is one of the most polemic points. Luis Bedriana, a Spaniard who represents the company Perez S.A. (sea transport), believes free hiring means a quick selection of suitable personnel.

This businessman believes salaries and salary differences based on the complexity and the quality of the work performed are the best kind of work motivation.

He acknowledged the high qualification of Cuba's labor force and does not regret the salaries he pays, including the 25 percent that goes toward social security.

If this system is maintained, then it will be necessary to maintain the encouragement funds and seek mechanisms more effective for remunerating the workers.

In spite of the blockade and all the anti-Cuban projects, a storm of ideas has arrived at the United States. Many U.S. businessmen who want to invest in Cuba have stated their interest in a law that includes, among other things, the protection of businesses and trademarks.

If the future investments law were to include everything, this would be single most encompassing legal norm. Much is being said, speculated, and expected.

In the meantime, the final touches are being put on what could become the correct key, many businessmen await behind that door, and their bags are full of ideas, expectations... and something else.

Commentary Notes Labor Force Rationalization

PA1608041795 Havana Radio Havana Cuba in Spanish 0000 GMT 15 Aug 95

[Commentary by Roberto Morejon from the "Evening Information Review"]

[FBIS Translated Text] As in every economy that is seeking greater efficiency, the Cuban economy is working for a gradual, not traumatic rationalization of the labor force, a process that has already begun in the most important central organizations of the state and continues in the enterprises with stable resources for production.

Along with the reorganization of the labor force, the government's central institutions simplified structures and thanks to the changes, only 32 of the 50 initial organizations remain today and the personnel rosters that were approved suffered a reduction of 11,621 jobs.

Even though some of the rationalized employees were relocated, it is true that the process produced more available workers, to which we can add those contributed by

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idle or semi-idle factories, those not currently in operation because of a lack of raw materials or because of a lack of domestic or foreign markets.

No rationalized worker was thrown out in the streets as it happens in other countries riding the neoliberal wave that is circling the globe today.

The Cuban Government adopted the decision to grant subsidies to persons facing this situation depending on the number of years on the job and the duties they carried out.

In addition, the Cuban authorities assumed the commitment of taking care of the persons declared available to work. The rationalized workers continue to be a problem of the state and of the revolution until they are relocated or until they are working once again, Cuban Vice President Carlos Lage said recently.

Cuban authorities insist in linking the rationalization program to a job program, which means government structures, especially municipalities, are seeking new jobs for the available workers.

The Cuban Labor and Social Security Ministry is currently conducting a survey of the labor resources in the 169 municipalities in the country in order to collect valuable information so that the government can draft its labor plans.

The study became necessary following the changes in the job market with the growth of the cooperative, mixed, and private sectors, the last of which already has 190,000 citizens doing entrepreneurial work.

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Zedillo Holds Monthly News Conference

PA1408021795 Mexico City XEW Television Network in Spanish 0530 GMT 11 Aug 95

[News conference by President Ernesto Zedillo with domestic reporters in Chihuahua on 10 August; broadcast in progress—recorded]

[FBIS Translated Text] [Unidentified reporter] ...Mr. President, uncertainty continues about political matters regarding news reports that former President Carlos Salinas may be guilty of or involved in the criminal activities that occurred last year. There are even reports he is drafting a book in his defense. What is your opinion on this matter?

[Zedillo] You had already referred to this issue in the previous news conference. I am going to repeat what I said in previous news conferences. First, I have given the attorney general just one order: to fulfill his job or to carry out the functions and duties the law dictates. I have also previously told you that according to the information and data which the attorney general has gathered and submitted to me—and on which he and I often agree— there is no evidence that would seem to incriminate Salinas. I must tell you, my friends in the news media, that I have become concerned after the last news conference about remarks that have surfaced to the effect that the president was exonerating this or that public figure. I want to make it clear that the president has neither the constitutional nor legal powers to exonerate anyone. What the president does when reporters ask him something is to answer in accordance with the reports judicial officials have submitted to the president. I do not want it to be said that the fact I am saying there is no incriminating evidence, as the media often reports, means I am playing the role of judge in any way. I repeat: Nobody is above the law; nobody should be outside the law. We do not want, however, to help spread rumors or conclusions that are often groundless or that are unfamiliar, at least, to the authorities.

[Reporter] Mr. President, I want your opinion on the current status of your party. As a distinguished PRI [Institutional Revolutionary Party] member, what do you think? It has lost three governorships since its current leader has been in office. What is not working in your party? Does it have leaders? What is missing?

[Zedillo] I feel that the PRI, as well as the other political parties in our country, is involved in a process of adapting to new conditions of political competition. This process is one that is not exclusive of the PRI. It is a process all the political parties in Mexico will have to undergo and are undergoing.

This year has indeed been a particularly difficult one for the PRI; it is unavoidable. The economic conditions Mexico is experiencing are not favorable at all for the party governing the federal government, the party that took me to the Presidency. We are experiencing difficult times, a point which has undoubtedly influenced voters' intentions.

That said, I must stress, however, that none of the parties, fortunately, is experiencing a catastrophe, as some may want to affirm sometimes. On the contrary, I feel that the new conditions of competition, of intense political competition, are healthy, convenient, and very promising for Mexican democracy, and I hope, I am certain, the PRI as well as the other parties will be able to adapt to these new conditions of political competition. I hope all the political organizations representing our country will be strengthened by this political competition, because Mexico urgently, I believe, needs a system of stronger parties, a system of great competition, a system in which the parties compete for the vote of the citizen within the legal framework; that will ultimately give us a stronger democracy.

[Morales] Good evening, Mr. President. I am Mario Antonio Morales of Multivision, Estereo Rey.

Two reports have been issued recently. One report claims the Gulf Cartel's Garcia Abrego is negotiating his surrender to the Mexican Government. Another report states the attorney general is establishing contact with the Gulf Cartel. My question is, is your government willing to negotiate with drug cartels in order to make progress in this drug trafficking problem?

[Zedillo] After reading the reports you mention, I asked the attorney general if this remark was true. He told me categorically these reports are false.

[Moreno] Thank you, Mr. President. I am Manuel Moreno, from EL FINANCIERO. I want to broach an issue that has been in vogue in the media lately. It is about the alleged $8 million contribution to the PRI [Institutional Revolutionary Party] presidential campaign. I would like to ask you whether it would be healthy to audit the PRI in order to find out from where the contributions for the presidential came and what the amount received was.

[Zedillo] I have seen several reports in the past three days on this issue. I read a report from the United States on a contribution, and judging from how it was presented in that daily, such a contribution would have been improper and illegal. I later read a clarification made by the PRI. That clarification provided information clarifying that a contribution from PRI sympathizers headed

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by the director of the enterprise mentioned in the original note had been received, that, second, no contribution had been received from the enterprise, because the law does not allow that, and that, third, the contributions made by this group of individuals were within what is allowed by electoral norms in our country.

This is a new, peculiar case of a report that was based on unverified and unconfirmed information, contrary to journalistic practices, and only after it became public has the other party's information been made public. I must also say the contribution was for the PRI and not for the presidential campaign, as the PRI has explained. Parties finance not just presidential campaigns. Last year, 301 campaigns at the federal level were financed, in addition to state level campaigns.

I also want to repeat something that is public and was lawfully registered. The PRI and, particularly, the general coordinators of my campaign, gave to IFE [Federal Electora Institute], the authorized organization, all the information on expenditures and financing. We were the party that provided information in this regard the soonest and in full compliance with this norm.

[Suberza] Mr. President, I am Victor Suberza, of Radio Red. It has been speculated, and perhaps with grounds, in Finance Commission circles of the Chamber of Deputies that your administration is planning to increase the value-added tax [VAT]. I would like to know your opinion on this matter, Mr. President.

[Zedillo] A fiscal advisory council composed of representatives of various Mexican economic and social sectors was formed several months ago. This council has been working on proposals for fiscal reforms the fundamental objective of which would be to establish a healthy basis for financing general federal expenditures and to encourage savings and investments in our country. I have not yet received a recommendation from the advisory council, but preliminary information I have in this regard does not back the speculation you have mentioned.

[Ortiz] Mr. President, I am Javier Ortiz, of NOVEDADES. Dr. Aspe has reported, through a letter, on a meeting that took place on 20 November. The letter was endorsed by the director of the Bank of Mexico. Have you considered that it would be good to give your opinion about that meeting, where the devaluation of the currency was discussed?

[Zedillo] Look, as president, my main responsibility is not to give my opinion on what happened during any given day. My responsibility is to analyze and perceive the essential causes of the economic crisis in our country.

Respectfully speaking, I believe that attributing Mexico's economic crisis to a decision adopted or not adopted on a given day is a wrong approach. I would be acting frivolously and failing to fulfill my responsibilities if I were to adopt economic policy decisions this way. My opinion on the causes of the economic crisis in Mexico are clearly specified in the National Development Plan, in the chapter on the economy.

What we say there is very simple: Mexico's economic crisis is a product of our country's domestic savings crisis.

As of 1988, the domestic savings rate began to drop systematically, gradually, and very dangerously. During that period, the Mexican private sector's savings rate decreased by seven percent of the GNP.

What was behind this decrease in the domestic savings rate? Many economic events, including an overvaluing of the exchange rate. I insist: What must be examined is the essence of the problem. This is a problem that was building up for years, it was not created in one day. From my point of view, the essential problem was the drop in the domestic savings rate, which explains the need for foreign savings to finance the huge current account deficit. This is the situation we have to overcome in the next few years if we wish to have a growing economy capable of generating the millions of jobs the Mexicans want and need.

[Arizmendi] Mr. President, I am Jaime Arizmedi, of EL SOL DE MEXICO. In 1988 there were more than 1,100 parastate entities. At the end of 1994 there were fewer than 300. I respectfully wonder if it would not be healthy for the nation to make public the transaction processes involving the merges, sales, and liquidation of those entities, of the banks, and of the contingency funds so that the people may know what happened with that money, who bought the entities, etc. Thank you, sir.

[Zedillo] Respectfully, I tell you that this information is public. I am sure that if you check your newspaper records you will find there the books with the reports on the dismantling of these corporations. It would be good if you could check on that information and make it better known.

[Monroy] Good afternoon, Mr. President, Hilario Monroy, UNOMASUNO newspaper. When does the government expect the unemployment trend to reverse?

[Zedillo] Many thanks, companero Monroy. Indeed, this year's first and second quarter continued the downward trend in production and increased unemployment. Information that is still — and I want stress this — still very preliminary, indicates that we may begin to see a GDP

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growth compared to the preceding quarter. With all certainly, according to the calculations now at hand, by the fourth quarter the GDP will have clearly grown in comparison to the third quarter. With this in mind, we hope that by the end of this quarter, in August, September, we will be able to see that we not only touched bottom in unemployment, which reached 7.1 percent in June, but that we then begin to see a reduction in the unemployment rate.

[Lopez] Mr. President, Joaquin Lopez Orega of EL HERALDO. Mr. President, in the case of the debtors' problem — I believe that there are more debtors than unemployed — what attitude will the government take? Sometimes the impression is given that bank owners, who are fewer in number, receive more attention than the debtors, who outnumber them.

[Zedillo] Yes. Right from the beginning of the crisis the government identified this problem as one of the most serious. Since the start of the crisis and since the economic program was adopted, the government has taken various actions, within the limits of is possibilities, aimed at favoring the restructuring and adjustment of debts. A few months ago we released a program based on UDI's — investment units. Up to now, many debtors and many billions of pesos have been restructured under this scheme. But we know today that a very significant part of the problem has not been able to be solved by the mechanisms we instituted several months ago. We are working with the banks, just as we have done all along, in order for the banks, with government backing, such as we began doing since April, may start finding ways to allow them to restructure those liabilities with the various debtors. I want to take the opportunity to attempt to dispel something you mentioned, Mr. Lopez Orega, and probably reflects the opinion of many people, that the government is interested in protecting the banks' interests and not the interests of debtors. This is obviously not true; this is not the case. The government is interested that the country overcome its economic problems, that it can soon start growing, and that employment is expands. The government knows, understands, and is working in the solution of the debtors' problems. Nevertheless, there are notions that are frequently repeated — notions that are mistaken — but are repeated so many times until they seem to become truths. One of them is that monies lent by the banks are monies that belong solely to the bank owners. Regrettably, due to the country's current circumstances, this is not the case, as otherwise the problem of the overdue portfolio would have had a very easy solution — simply tell bankers to use all their capital to resolve the problem of overdue portfolios. But the fact is that the proportion of assets to loans granted by the banks — their capital, the banks' own money — is a very small proportion, typically less than 10 percent, much less than 10 percent as far as liquidity is concerned. This percentage of capitalization of the banks is what marks the limit of what bankers can do with their own resources to resolve the problem of overdue portfolios.

I think nobody in our country can imagine the problem of defaulted loans will be solved by seizing or taking money away from the people who have entrusted their deposits to banks. That would amount to resolving a problem — which in fact would not be solved — by creating an even worse problem. In that respect, the problem of the defaulted loans will be resolved primarily through the goodwill debtors and creditors and through the assistance the federal government has been striving to provide.

We are working with banks, as we have been doing from the start of this problem to see what other assistance mechanisms we find so that banks can pass on that assistance to restructure loans. In all honesty, we want to warn many thousands of Mexicans who are currently being misled with the notion that the sole solution to this problem lies in the good or bad faith of bankers. That is false. That amounts to deceiving people. That amounts to providing a fictitious solution to a very real problem. The problem of defaulted loans will be resolved with several elements. The first is the rational programs we have been designing and will continue to improve. The second is a lower inflation rate. This is something we have been working on. The economic program is succeeding in this aspect. Just three and a half months ago, reference rates in the loan market were 115 percent. This week they are close to 35 percent.

The problem will also be resolved with the recovery of the Mexican economy. The country lost almost 10 percent of its national revenues because the foreign savings we had in previous years disappeared. That drop in the national revenues that were based on foreign savings naturally had an impact on the revenues of individuals and companies. To the extent that we succeed in achieving an economic recovery — and we are on the right track to achieve it —that will also give us additional elements to alleviate the problem of defaulted loans. I reiterate, however, that this problem is to be resolved, is going to be resolved, with serious and responsible solutions and not with demagogic solutions or deceiving the people even.

[Unidentified female reporter] Mr. President, I would like to know if when you were programming and budget secretary you were aware of the rewards that, according to former Deputy Attorney General Mario Ruiz Massieu, were given to officials of the past administra-

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tion who were successful? Will your government grant them? Aren't these remarks by Ruiz Massieu promoting the image that corrupt practices take place in Mexico?

[Zedillo] I would like to state categorically that the reports we read on the statements by Mr. Ruiz Massieu about rewards to public officials are totally false. An article in the decree that approves the federation's spending budget authorizes the federal executive to grant certain incentives to public officials for their performance. Let me tell you that in my experience as secretary of programming and budget and as public official that provision and the way I have seen it implemented is in no way related to what this man has been saying in the United States.

In addition, I would also like to take advantage of this opportunity to point to an aspect of the news media that is of great concern to me. I am seeing, with sadness even, that lately testimonies and statements by persons of dubious moral quality, even fugitives from justice, are endowed the weight and the worth of the truth before the public because of the unquestioned or uncritical manner in which they are often divulged. For that reason, during my administration, those kinds of very special incentives, rewards, or bonus, as the ones Mr. Ruiz Massieu described, will certainly not be given.

[Popo] Mr. President, thank you. I am Jose Luis Popo of EL HERALDO DE MEXICO. My question is a bit related to the question by my colleague Helena Gallegos. It is with respect to what the EL PAIS daily printed 20 days ago to the effect that you and former President Carlos Salinas struck a deal not to disturb him and to allow him to leave the country. Many people are taking this as a fact. I would like you to explain this for one thing.

Also, Mr. President, can you please tell me if you think or suspect a campaign exists to discredit Mexico from abroad in order to destabilize it? Thank you.

[Zedillo] With respect to your first question, it is false. It is another one of those false things we have unfortunately seen in print. I wish the newspaper had asked me, I would have said it was not true. I do not know who said that, and for the same reason I do not know why the newspaper published this and is insisting on it. I will never strike a shady or secret deal. I am totally bound to account for my acts to those who elected me, the people of Mexico. If I were to strike a political deal with someone, the first thing I would do is announce it. In fact, I have been trying for months [chuckles] to reach a political pact with some political parties, but they are not going along. When I do, I will gladly tell the people. What was the second question?

[Popo] Do you suspect there is a campaign from abroad to discredit...

[Zedillo, interrupting] Oh, no, no. I think sometimes there are statements and reports that are not investigated properly or squared with the facts, and obviously this concerns us. We feel we are partly to blame for not providing information more constantly and for not paying sufficient attention so that when these things occur we can provide information at the appropriate time. But under no circumstance will I become paranoid, thinking there is a campaign orchestrated against our country. I believe there is disinformation at times, but sometimes we, public officials, are to blame for the existence of such disinformation. I am holding these news conferences to do my share and straighten out that problem.

[Trejo] Mr. President, good afternoon. I am Ricardo Trejo, reporter for Nucleo Radio Mil. Sir, eight months into your administration, how would you rate your performance leading the nation? Have the correct measures been taken? In total, do we have a firm president?

[Zedillo] I am not in the habit of rating myself and much less as president. Other people are the ones who should rate me.

[Martinez] Thank you, sir. Marianela Martinez de la Vega of XEW Television. I would like to divide my question in two parts. A few days ago, the country's business sector submitted a number of proposals to you. I would like to know if there has been a specific response to to any of them. The second question is about your state of the nation address. Are you planning to submit it in writing or deliver it at the National Congress? Is there going to be a change in the way it is delivered?

[Zedillo] Thank you. On the document that the Business Coordinating Council submitted to me, we are studying it and in a matter of days the federal goverment through the senior officials of the economic cabinet will respond to it. I gave them a very preliminary opinion on the document. I told them I see three aspects here. Some are already being resolved. For example, they noted there were some types of delays in the payments by the federal public administration to suppliers. We have been resolving that problem for the past one and a half months or two months. I believe we will be up-to-date in a very few weeks.

We have some very specific cases. For example, Infonavit [Institute of the National Fund for Workers Housing] was experiencing in May a very substantial pay backlog. The Infonavit director informed me just two nights ago, however, that it is already 98 percent on

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schedule. We are trying to do the same in all the entities. Thus, that aspect of their request is being resolved. Another aspect of the document dealt with raising public spending a little in order to stimulate the economy.

I explained to them that the schedule we have as part of the adjustment plan precisely establishes more public spending toward the second half of the year, therefore, I explained to them that, without the need to increase the budget or break the necessary balance in public finances, they would begin to receive more public spending during the second semester.

There are other issues in your question that require decision, that require perhaps some rectifications in some practices but which can be attended to or achieved. We will certainly work to resolve these issues. With regard to the proceedings and regulations, we are immersed in a very ambitious deregulation program. We are going to press harder in this regard, and we are going to try to remove all those compulsory obstacles that today affect economic activity and investment in our country.

Then, there was a third set of aspects that they presented with the idea they did not bear a fiscal cost. Luckily, the proposal they presented was made under the principle that the economic adjustment program of our economy not be broken or abandoned.

We explained to them that, in reality, these aspects they believe not to have a fiscal impact do indeed have a cost. We are going to see, within the financial margins we have, what things we can do to certainly benefit businessmen and the entire country. We will not do anything that may ruin the adjustment program.

The second part dealt with the presidential report. Let me tell you clearly, that for me, in this and all occasions I am given the opportunity — in this case the opportunity comes from the very Constitution of the republic —it will be an honor to appear before such an important entity and have the opportunity to address a message to that national sovereignty, namely the Union Congress. I have at no time considered or thought of the possibility of not appearing before the Union Congress.

What I saw here is that the president of a national party, with that wit and soundness that characterizes him, said it would be a pity if the president did not present his report. A snowball began to form next day, when everyone began saying or writing that I was considering the possibility of not appearing before the Chamber of Deputies to present my report. I think this was an act of wit of this prominent politician, who gave you guys something to report on. But I sincerely never considered the possibility of not appearing before Congress, and for me it will be an honor to address lawmakers.

Now, there are contingency, accessory aspects to the presidential report which I believe that — given the times, circumstances, and political evolution of the country and, without a doubt, my own convictions — must undergo a change. In all honesty I tell you I am considering, in fact I have decided, to suspend that particular salutation ceremony following the presidential report. I certainly want for most Mexicans to know the presidential report speech, but I don't think it is convenient or necessary, much less at these times of economic hardship, that the country become paralyzed the entire day as a result of the presidential report.

In principle, you will notice that in the school calendar that will be in effect for the next school year, 1 September has not been considered a holiday. Children will go to school that day. I hope everyone goes to work. When the time is right, we will try to agree with Congress that the ceremony be held at the most convenient time, so as not to interrupt the work of those interested in hearing the report.

We are going to ask media sources to repeat, either in whole or in part, in the afternoon, the report and speeches made by legislators before the presidential speech, in keeping with Congressional regulations. I think that this way we will have a ceremony that observes what the Constitution of the republic mandates. We will have a republican ceremony that will not paralyze the country and that will also allow us to abandon practices that are not in keeping with the political modernity to which all Mexicans aspire.

[Limon] Thank you, Mr. President. I am Dante Limon of EPOCA magazine. When you began your tour of Chihuahua, a peasant told you he would be very pleased that when you return to Chihuahua as former president, although it will be long before it happens, you would not be ashamed of actions you may have made as president. What is your opinion of this statement by the peasant?

[Zedillo] I believe he is one more Mexican who thinks the president must do his duty and that is exactly what I will do these coming years.

[Perez] Mr. President, I am Miguel Perez of REFORMA. I would like to go back to the issue of Mr. (?Deproveisan), taking into consideration the observation you made few minutes ago. You have just confirmed Mr. (?Deproveisan) gave this amount to the Institutional Revolutionary Party [PRI] and not the campaign. However, $8 million was contributed to the party. Wouldn't it be advisable to audit the PRI to determine

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why this amount was received and what other types of similar donations were made to the party?

[Zedillo] Listen, in the first place, the PRI has clarified it is false Mr. (?Deproveisan) contributed $8 million. I read this in your paper, by the way, which has been my source of information for this and other issues. I read that the PRI's clarification states that in no way did Mr. (?Deproveisan) give this amount of money to the party. The report said this was not a personal donation by (?Deproveisan), but he led a group of people who made individual contributions to the party for the amounts permitted by law. I reiterate that the corresponding documents — at least involving the presidential campaign — were duly delivered, and I suppose are at the disposal of competent authorities. This is how things must be.

[Ba[illegible] afternoon, Mr. President. I am Mar[illegible] of Radio Formula. I want to ask you a [illegible] the large sums and properties dis[illegible]e of Mario Ruiz Massieu, different [illegible]ve said public officials should declare their patrimonies publicly. Would you be willing to set the example and declare your public properties? If so, when would you do it?

[Zedillo] Well, I am ready, as I said earlier, to lead a reform that provides absolute transparency to the handling of public resources, that strengthens the powers of the Union Congress to review, to audit, to check public resources. Obviously if the Union Congress, in analyzing and discussing said reform, decides that as part of this law the current legislation must be amended — and this may even result in a constitutional reform — and public officials must make this information public or that the information should be made available for consultation in keeping with the very law, I would be the first to approve it. This will be one of the topics I will discuss on 1 September.

[Garcia Segura] I am Jose Garcia Segura of EL DIA newspaper. Mr. President, during your administration the political problem has been tied to the economic problem. Can you make an assessment of both and present a pespective for the next few months?

[Zedillo] Dear friend, do you want me to present my presidential report here? [laughter] Listen, I will try to be very brief. Regarding the economy, we have endured very difficult circumstances. We have experienced and been forced to face perhaps one of the most serious economic crises our country has ever faced. We, not I, but all of Mexico, have confronted this crisis with great determination and resolve to overcome obstacles. My conclusion is that we are overcoming obstacles and we will advance.

Regarding politics, times have been complex but I also feel and am convinced the country is advancing in the political area. For political advancement, we have not bet on one single action, one single agreement, one single decision with political leaders in our country. We are working on all fronts and what we are seeing in the electoral field in many states of the Republic, shows clearly that the country is not holding back in the political area. On the contrary, sometimes despite leaders or political leaderships, Mexican society is advancing in the building of a better democracy.

[Ayala] Dolores Ayala of Televisa. Mr. President, I would like to know what are the goals of, and what has been achieved with the support program for Indian communities, particularly those in Chihuahua which are so poor.

[Zedillo] Well, last February we announced a program to promote development in Indian communities. For this program, after renegotiating budget resources, we obtained a significant amount, although clearly insufficient, to promote certain aspects for the basic development of these communities. We are making progress. However, I want to tell you frankly that given the seriousness of the problem and given the fact that this backwardness has been accumulated not over the years, but over the centuries, we would have to work much harder to achieve at least the most basic and fundamental goals.

Indian communities have the country's highest rates of illiteracy and lack of schooling. Indian communities have the most precarious rates of supply of basic needs such as water and electricity. Indian communities are the most isolated, that is, the least favored with the provision of infrastructure. In this regard, we are speaking of [word indistinct] years. I can simply assure you that a main goal in my administration's social policy will be the attention given to Indian communities, including of course the attention given to the Aramuri community in Chihuahua State.

[Fernandez] Good afternoon, Mr. President. I am Jorge Fernandez of EL FINANCIERO. At times on some occasions it would seem that political factors, including the government and the political parties, are hostages at the negotiations tables, both at state and political reforms, and at San Andres Larrainzar. Are alternative ways being considered in case these negotiations tables come to a standstill or have no further results?

[Zedillo] I believe that at all times both the political parties and the government are working on alternative ways. A while ago, I spoke of the electoral issue. At the beginning of my administration, I proposed the political parties and their leaders to begin working on

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the electoral reform, which I have called definite, to give at least a full democratic normality to our country. You know the problems we have encountered to advance in this task.

Well, the fact that we had not made progress at that negotiations table, as I said before, does not mean that the country is not making progress. This year in at least a dozen Mexican states, there have far-reaching electoral reforms. Even some of these reforms have become the electoral framework, which has been a very advanced and polished version of the 1994 federal reform. We have had then various elections, notably last Sunday. It is very satisfactory that today, hardly four days after the elections, that among the practically 20 questions you have raised, distinguished reporters, the issue of Sunday's elections has not come up.

In my opinion, this is an indicator that the elections were honest, the elections were legal, and the elections were highly satisfactory in terms of strengthening democracy in the country. Well, I have said it before: good news is no news. It is good that today we do not have news regarding last Sunday's elections and this means that there was good news. So I believe the alternatives are there and we are working on these, but at the same time I express and reiterate my desire that very soon, very seriously, and with great ambition we sit down for a dialogue to reach even more important agreements.

[Unidentified reporter] [Words indistinct] (Ixedity Multivisiones de Rey). Here in Barranca del Cobre, Jorge Fernandez told me jokingly that the Colorado Canyon's charm is that it is close to Las Vegas. I take advantage of the joke to ask President Zedillo's opinion on casinos. Can you tell us, sir, if casinos are a tourist possibility for Mexico?

[Zedillo] Let me tell you that one of the effects of the economic crisis is that I have not had time to think about certain topics. I would say that this is a topic in which I really have not reflected upon and I would prefer that society, legislators, and interested sectors had their say before I take this up and discuss it. The other day I read a summons for a plebiscite on the topic called for by the Chamber of Deputies Tourist Commission. I will follow closely the results of this and other plebiscites.

[Tamed] Good afternoon on this sunny afternoon. I am Jorge Tamed of Agencia Lemus.

[Zedillo] It is not that bad. [laughs]

[Tamed] Sir, I would like to ask: A news item I read in the press two days ago datelined Washington roused my indignation more than worried me. It refers to statements by certain officials from the DEA and the U.S. Attorney General's Office stating that Mexico could surpass Colombia as far a drug trafficking is concerned. I believe this sort of statement is very disrespectful to our country. I would like your point of view.

[Zedillo] First of all, what we need to clarify is that happily Mexico does not have the proper climate to grow coca [cocaina]. For starters, this shows that there is a mistake in this judgment issued in the United States. Mexico, regrettably — we must admit it and we fight it every day — is a place of transit, for drug trafficking.

We are committed to a very ambitious and frontal struggle, which costs us money, lives, and affects our tranquillity and social peace, to fight this phenomena that is so deadly and so despicable. At no time will we drop our guard and at all times we will make efforts to increase more and more resources to fight the drug trafficking phenomena.

I feel confident that Mexico is not going to displace any other country in that questionable and dishonorable distinction. I wish that Mexico and other countries be successful in their struggle against drug trafficking, while at the same time, as I have said before, I hope that consumer countries make a greater effort to fight this deadly phenomena.

[Cavado] Mr. President, Armando Cavado of Channel 44 of Ciudad Juarez, an affiliate of Telemundo and Telenoticias. My question has to do with the claim made by border mayors regarding a true federalism, which has prompted one of them, the mayor of Ciudad Juarez, to declare a hunger strike. What is your opinion on this?

[Zedillo] A few months ago, the federal government began to tackle this problem. I must say that we took action way before Mayor Villarreal made any public statement. In fact, during my political campaign, in my visit to Ciudad Juarez, in a private meeting a group of representatives of civic sectors in Ciudad Juarez presented this problem to me. And at the time I offered — I was not aware of this — to study it. And as soon as my government took office, I asked the secretary of communications and transportation, who is here, and the secretary of finance to study this problem.

Suddenly, the first episode which we all regret emerged in Ciudad Juarez. I told them we were already working on that problem. There were a series of meetings with border mayors. There were a series of meetings in the framework of the fiscal coordination with the state treasurers. And in the past meeting of treasurers, which, by the way, I closed three weeks ago, in the city of Puebla, it was said that a first consensus proposal had been made to deal with this claim. It was said that changes in the legislation, which evidently cannot be made at this time, had been proposed. These changes

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can only be made after Congress begins working. Those changes establish that, in the future, practically 50 percent of net receipts from those bridges are to be delivered to municipalities where those bridges are located. That represents a manifold increase with respect to what is established today by law.

I reiterate, this agreement was made after talking for a long time with a large number of mayors, not just one mayor, on this matter. In addition, this does not depend on the executive branch alone. This must undergo a legal reform, and we are getting ready to make the corresponding proposal.

Let me tell you that I am concerned and saddened by the position adopted by Mayor Villarreal: first, because he knows real well we were working on this problem even before he made his first public statements on the matter. Secondly, he knows we have continued working and, following a broad consultation, we are presenting a possible solution. Thirdly and what concerns me most is that Mayor Villarreal, whom we appreciate and consider an honest man, who has worked hard to do his duty as mayor, precisely at a time we know he is very ill, his health is fragile, and he has a disease we know may be mortal, he chooses to begin a hunger strike. I think this is wrong.

If I could send a message to Mayor Villarreal from here, I would tell him, please Mister, end your hunger strike because you know you may die not from the hunger strike but from that terrible illness you are suffering. It would be very worrying for Mexicans that, in the middle of that hunger strike, he may suffer what we don't want him to suffer due to his poor health.

I believe the message he wanted to convey to everyone, to the president of the republic, is a clear message. It is a message many Mexicans who are struggling for the construction of a new federalism share. But it is worthless and wrong that he does what he is doing, in the middle of the terrible illness he is suffering.

[Jomen] I am Alejandro Jomen of EL DIARIO DE CHIHUAHUA. In this regard, I would like to know [words indistinct] Ciudad Juarez [words indistinct] the need to reform the fiscal coordination agreement? He said it is unfair. I would like to know if you have planned a reform in this regard, under what terms, and how far could we go [words indistinct]?

[Zedillo] Listen, this is not only the position of Mayor Villarreal. Many Mexicans are proposing the construction of a new federalism. I have insisted —I do it here respectfully once more — that speaking about a new federalism does not only entail speaking about the distribution of resources. Building a new federalism is not like breaking a pinata to see what we get.

Building a new federalism means talking seriously about redistributing responsibilities, powers, and resources. Building a new federalism cannot be an isolated or individual act that tries to resolve individual problems. The existing federal system is one where we would take from one state to give to another; this would be disruptive. We need to create a new system that balances things and one in which we do not lose sight of the higher purpose of the Mexican state: equity in the regional development of our country, especially in a country with profound and marked contrasts in regional development.

In the meeting a few days ago in Puebla, we took note of the first proposals for agreement that have emerged in building this new federalism. We announced that we are seriously considering proposing to the Congress of the Union that states and municipalities be granted certain powers as far as taxes are concerned, powers that they now do not have. But it will be during the next ordinary session of the Congress of the Union where we will be able to make our proposals in detail.

[Unidentified reporter] [Words indistinct] entrepreneurs claim — and they said so this week to members of the Business Coordinating Council — that there is still a long way to go in the deregulatory program. What will you do to break down bureaucratic hurdles, which are the main factor in deregulation? Is the (Ficta) proposal for administrative matters feasible?

[Zedillo] About two and a half months ago, after a long and intense concerted agreement process with the private sector, we announced a federal economic deregulation program. This deregulation program has very definite objectives. Some of these are due to bear fruit in the next few weeks. The deregulation plan is being carefully evaluated and implemented, but we said at the time that this deregulation plan, which I repeat has definite objectives, must be seen as just a first step. There are other areas of regulation that are not strictly federal and that sometimes pose a greater hurdle and greater problems for economic development. To this end, we frequently and respectfully have urged state and municipal governments to adopt and copy the objectives of this deregulation plan with their local legislative bodies to deepen this deregulation effort.

As for the (Ficta) proposal, this is a concept that could be applied in certain cases but not to others. For example, there are activities that pose a potential health risk. It is impossible... [pauses] The state cannot shirk its responsibility for regulating this type of activity. This is one example where it would be difficult to accept

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automatic approval after a certain period of elapsed time. In any event, this is being studied, and, as I said, the program has definite objectives with which we will verify compliance in the next few months.

[Unidentified reporter] Mr. President, what's your assessment of the country after eight months of your administration? What are the biggest challenges and difficulties? Are we still on the right path?

[Zedillo] What's my assessment of the country? Working hard and with a great spirit of struggle in order to overcome a serious economic crisis. I can say that I am satisfied because we are slowly but surely dealing with the most serious problems, although I know that a lot remains to be done, that the most important issues, like employment, economic reactivation, are still to be attained in this battle that we are waging against the economic crisis. I believe that this is my outlook for the country. We have to continue down the road of discipline; we have to be very decided in attaining the goals we have set for ourselves, and I am fully confident that we shall manage to do so. Mrs. Irma Lozada.

[Lozada] Good afternoon [words indistinct]. A fellow reporter over there has already asked you if the government was studying any alternatives for the Chiapas problem. I would like your opinion on this and also on the consultations the EZLN [Zapatist National Liberation Army] is conducting.

[Zedillo] Look, I have two opinions on the Chiapas problem. I believe we should be satisfied because, notwithstanding the difficulties we are experiencing, a much more peaceful situation and condition exists. This gives us hope that we will reach a final solution within a legal framework and with the social harmony that should always prevail among Mexicans.

Meanwhile, I cannot stop voicing my concern about the aspects that have prevented us from moving faster toward the solution to this problem. It seems to me that the negotiators — I refuse to blame any of the parties involved; this is true — have used too much time and too many arguments to resolve or attempt to resolve aspects that are not really substantial and that fail to point out the root of the problem. The root of the problem is nonconformity, nonconformity for the economic, social, political, and legal situation of the residents of this region in the state of Chiapas.

I believe that we will advance a great deal the day we do not place much emphasis on issues such as rules of detente and rules of procedures and start holding serious talks on the problems about which people and Indians are concerned. Well, they are doing something to which they have full right. I will be awaiting the development and results of the consultation.

[Unidentified reporter] In the government report ceremony, you talked about change. I would like to know if the executive branch will accept to [word indistinct] the details of the report, as the PAN [National Action Party] proposes.

[Zedillo] I am unaware of this proposal. I will study it in case it is formally presented tomorrow.

[Sanchez Marquez] Fernando Sanchez Marquez, from NOTIMEX. To be specific, since the days of your campaign, you favored the forming and forging of a real democracy in which pluralistic, open, and participative policies would prevail. Within a few days of presenting your first government report, are you achieving these objectives? How much influence does the fact that opposition parties have refused to return to the negotiating table and embark on national political talks have? Thank you.

[Zedillo] Pluralism is one of the clearest and strongest features a modern democracy must have. To me, it is evident that Mexico has been moving and will continue to move toward pluralism. What we have seen in the electoral results of this year and the previous years suggests this concept to us. What we have even seen in the bosom of certain types of government also suggests this concept. I believe that my own government, the government I head suggests this concept.

As president of the republic, I have had the authority, the capacity, and the determination to integrate what could possibly be the first pluralistic government in Mexico's modern history. My government has three members of the legal cabinet who do not belong to my party. I believe this is a clear indication of what is going on and will continue to go on in our country. I am certain that this a feature that will be reaffirmed in upcoming years. Above all, I am certain that this feature will be for the country's sake.

All voices representing the country's many political currents have room for action, room for representation, room to say and, if possible, execute or make its own truth a reality. We are observing this concept in the electoral results. Thanks to this, I believe we will be consolidating a new arena for our social peace.

[Trejo] Francisco Trejo, from Television Azteca. Good afternoon, Dr. Zedillo. I would like to know if, during the time you have been the head of the administration, you have thought about making certain changes of this sort, or in political and economic matters, given that the situation has been changing since you took office.

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[Zedillo] Look, we have to make a distinction between long-term objectives and strategies, which must be very congruent and consistent. These objectives and strategies are clearly established in the National Development Plan. So far, nothing has shown me that a different road would be better for the country, but I assure you: If somebody were to convince me there is a better policy to secure government and national objectives, I wouldn't be embarrassed about having to rectify any of my own proposals.

In the short term we have to make — daily and at every moment — adjustments and tune-ups and act according to new circumstances. This is what I try to do every day as representative of and as the person responsible for the federal executive branch. I try to be available and listen to all opinions and points of view expressed to me and study proposals from other people, including those of people who do not think the way I do, and with basis on these opinions continue adjusting the strategies as they are implemented.

[Arbizu] Good afternoon, Mr. President. I am Juan Arbizu, from EL UNIVERSAL. How fragile or how solid are the macroeconomic reports that exhibit a slightly positive trend? Are we in for a solid economic recovery, or do we have a problem for the time being?

[Zedillo] This is a daily task, Mr. Arbizu. I can tell you that three months ago, the situation was very erratic and frail and that now some of the progress we have made is pretty solid, but at the same time I am convinced we cannot lower our guard for even one minute. We must be consistent and strictly continue implementing the policies we have been implementing to face the crisis until we consolidate economic recovery. I can tell you that we have most notably avoided the big risk of financial bankruptcy and production collapse we were running some months ago, but that's no reason to take it easy or lower our guard now. Thank you.

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Guatemala

Minister: Groups, U.S. Senators Working Against Peace

PA1508153695 Guatemala City PRENSA LIBRE in Spanish 12 Aug 95 p 6

[FBIS Translated Text] Foreign Minister Alejandro Maldonado Aguirre said yesterday that discreditation campaigns launched by a group of religious organizations and two U.S. senators are designed to prevent the signing of a peace accord.

Maldonado Aguirre noted that this type of pressure and publications in certain U.S. media are neither fair, impartial, nor balanced, and they are prompting certain representatives and senators to ask for restrictions on aid to our country.

He pointed out that these groups, comprised of Guatemalans residing in the United States, have made a living off their activism. Through their arguments about respect for human rights, they give the impression that they are altruistic and people of goodwill.

In the end, these campaigns hamper peace and inhibit chances increasing investments, creating new jobs, and developing the country, the minister added. He said that political struggles often influence these campaigns.

Maldonado Aguirre noted that these groups do not want peace, but he refused to say whether this campaign is directly related to the Guatemalan insurgency. He pointed out, however, that just recently they were involved in destroying power pylons, bridges, and infrastructure.

Foreign Minister To Represent President at ACS Summit

PA1508152395 Guatemala City SIGLO VEINTIUNO in Spanish 14 Aug 95 p 4

[FBIS Translated Text] President Ramiro De Leon Carpio confirmed over the weekend that he will not attend a meeting of the Association of Caribbean States (ACS) from 17 to 19 August in Trinidad and Tobago.

According to the president, he made this decision because he needs to address domestic problems on those days. He added that Foreign Minister Alejandro Maldonado Aguirre will represent him at this summit.

Twenty-five regional nations will attend the ACS summit, the goal of which is advancing the establishment of a single regional bloc which will help achieve sustainable development.

In addition to ACS members, the G-3 [Group of Three], made up of Mexico, Venezuela, and Colombia, has expressed interest in the initiative and will also attend the summit.

The electricity problem is among the issues that De Leon Carpio must solve this week. He said that he will announce measures to tackle this problem in the next few days.

President Plans Bill Deregulating Foreign Currency Deposits

PA1508201095 Guatemala City LA REPUBLICA in Spanish 10 Aug 95 p 12

[Report by Guillermo Giron Valdes]

[FBIS Translated Text] In a news conference at the National Palace, President Ramiro De Leon Carpio said that he will forward to the Congress of the Republic a bill designed to deregulate foreign currency deposits and to allow the free circulation of other foreign currencies as part of the economic policy that his government is promoting.

The Monetary Board recently prepared a draft decree for the chief executive that would help deregulate foreign currency deposits. It is designed to allow individuals and companies absolute freedom to transact business in foreign currency.

It would also allow banks to conduct operations and sign contracts in currencies other than the quetzal. The Bank of Guatemala would continue to participate in the exchange market as just another economic actor, but it would prevent profiteering from affecting the normal development of the market.

Another advantage of this bill is that citizens who receive remittances from relatives working abroad may receive foreign currency free and clear. In these cases, they would be completely free to keep foreign currency on deposit in a bank within the system.

President De Leon Carpio noted that measures to eliminate concentration of foreign currency within the Bank of Guatemala were included in the 1994-1995 work schedule in order to prevent this economic policy from being influenced by the accumulation or forced loss of international monetary reserves.

The president added that "if the Congress of the Republic approves the bill that we plan to forward, we will be able to further define the situation and build trust among economic actors, local as well as foreign. This would have a positive influence on their decisions to invest, which in turn would have a favorable impact on economic activity and the creation of jobs."

With an "updated and flexible" judicial framework for the exchange regime, the country would be able to

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participate more efficiently in the new world order, which is characterized by large economic blocs and greater integration of national financial systems into international ones.

This would facilitate the "country's integration with the globalization process under competitive conditions with our main commercial partners, especially countries in the region."

In the opinion of President De Leon, a bill deregulating foreign currency deposits "would be an unprecedented development." This measure would favor the country's modernization, a policy being promoted by the government through its economic components.

Rios Montt's Wife Presidential Nomination Denied

PA1608021795 Mexico City NOTIMEX in Spanish 2329 GMT 15 Aug 95

[FBIS Translated Text] Guatemala City, 15 Aug (NOTIMEX) — The Citizens Registry (RC) of Guatemala today denied the registration of the wife of General Efrain Rios Montt as presidential candidate given the fact she is married to the former head of a de facto government.

Maria Teresa Sosa de Rios cannot aspire to become president since the law states that the relatives by blood of a coupist officer may not opt to run for president, states the RC resolution signed by the president of that institution Felix Castillo Milla.

The nomination of Sosa de Rios was proclaimed last month by the rightist Guatemalan Republican Front (FRG) to replace Rios Montt, maximum party leader, whom the RC refused to register as presidential candidate in late June.

For the second time in five years, the RC based its ruling on the constitutional provision which states that no one who has supported or participated in a coup d'etat may [words indistinct] of this country.

Castillo Milla established a one-month term for the FRG to find a new presidential candidate, otherwise, it will not be able to participate in the 12 November general elections.

Rios Montt, a retired military officer and currently suspended Congress president, and the FRG have confronted different internal problems in the past few months [words indistinct] popularity of the former de factor ruler, according to surveys.

The military officer, two party deputies, and members of the Congress Board of Directors (unicameral parliament) have been deprived of their immunity by order of the Supreme Court of Justice (CSJ) for having usurped functions, violated the Constitution, and engaged in abuse of authority.

The offenses materialized when the three legislators, members of the parliament's Permanent Commission, agreed to replace the current magistrates of the Supreme Electoral Tribunal (TSE), following the failure to register Rios Montt's candidacy.

The FRG argued then that the magistrates should have convened the elections based on the 1994 Population Census instead of the 1981 census.

The CSJ determined that the designation of the TSE magistrates is a prerogative of the parliament acting in a plenary session, and not a prerogative of a commission of the legislative organ.

Commission To Draft Plan To Comply With Rights Agreement

PA1608031795 Guatemala City SIGLO VEINTIUNO in Spanish 10 Aug 95 p 3

[FBIS Translated Text] After a special high-level meeting yesterday, between members of the Presidential Commission for the Coordination of Human Rights Affairs (Copredeh) and President Ramiro De Leon Carpio, they agreed to create a liaison commission that will draft an action plan to comply with the overall human rights agreement and the recommendations made by the UN Mission for Guatemala (Minugua).

Present at the meeting were Mario Enriquez, Carlos Reynoso, Alejandro Maldonado, ministers of defense, government, and foreign relations respectively, as well as Copredeh President Vicente Arranz, and Prosecutor General Ramses Cuestas.

Arranz said the meeting had two basic objectives: the political reaffirmation of the president's support for the actions and efforts carried out by the Copredeh and thoroughly analyzing Minugua's report.

President De Leon Carpio stressed the importance of complying with the overall human rights agreement, according to the agenda and priorities outlined for his government work during the last months of his administration.

What Will the Commission Do?

The liaison commission, created to coordinate the transition period and ensure compliance with the agreements on the subject must draft a working plan within 15 days, which can be used as an action and follow-up plan.

The members of the commission are the deputy government minister, a representative from the Prosecutor General's Office, the National Defense chief of staff, a

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representative from the Foreign Ministry, and a representative from the Attorney General's Office.

De Leon Carpio also said that from now on, he will head periodic meetings with Copredeh because he wants the new authorities to know their obligations and needs, amid an orderly transition.

Nicaragua

Deputy on Controversy Over Electoral Law

PA1508233995 Managua LA PRENSA in Spanish 12 Aug 95 p 15

[Report by Cesar Ubeda Bravo]

[FBIS Translated Text] Alfredo Cesar Aguirre has said that the reforms to the Electoral Law that the Supreme Electoral Council (CSE) is urging could be delayed if government officials fail to withdraw the unconstitutionality suit against Law 192 filed at the Supreme Court of Justice (CSJ).

"It seems to me that it is irresponsible for the National Assembly to proceed with the reforms to the Electoral Law while the suits filed at the CSJ are not withdrawn," Cesar, National Democratic Party (PND) leader, pointed out.

According to him, this suit violates the Framework Law on which the executive and legislative branches agreed on 14 June 1995 to publish Law 192, "Partial Reforms to the Political Constitution of Nicaragua," at a later date. Cesar made these statements upon the conclusion of a meeting held with political parties and CSE magistrates.

Luis Fley (PRN) [Nicaraguan Resistence Party], Francisco Rosales (National Project) [Pronal], Bonifacio Miranda (PRT) [Revolutionary Workers Party], Erick Ramirez (PSC) [Social Christian Party], Gustavo Tablada (PSN) [Nicaraguan Socialist Party], and PND's Cesar, among others, attended this meeting.

The fact that the government is interpreting that these reforms must be made in a consensus constitutes another obstacle, in Cesar's opinion, to begin the process of reforms to the Electoral Law. "The Framework Law does not stipulate this. It stipulates that only the date of the runoff elections (as part of the general elections) must be set in a consensus," the parliamentarian affirmed.

Article 19 of the Framework Law stipulates that "the reform to the Electoral Law shall oversee what constitutional Articles 146 and 147 stipulate, that the system for general elections for president and vice president of the Republic will have two rounds when the candidates fail to obtain a relative majority of 45 percent of valid votes in the first round of elections."

The Framework Law, according to the specialist, is a concept of European public law, especially French public law, "Loi Cadre," which is a generic law that must have a special majority to be approved or reformed. It is not a constitutional law, however. Its objective is to regulate generic duties, and later regulate specific laws.

Cesar emphasized what is stipulated in the Framework Law. However, the Pronal representative, Dr. Rosales, had a different opinion. He maintained that the reforms to the Electoral Law must be made in a consensus by the legislative and executive branches "because that is how it is stated in the political agreements included in the Framework Law."

Rosales explained that a mixed commission, "as stipulated in the Framework Law," will work on this issue.

The labor minister denied that the ministers and deputy ministers will withdraw the unconstitutionality suit that 24 high-ranking government officials filed on Monday, 7 August against the National Assembly and the Presidency of the Republic for having prepared, enacted, and published Law 192.

The constitutional reforms stipulate that if public officials want to run for a post, they must resign one year prior to the next presidential elections.

"Resigning one year before is ridiculous. What Sergio Ramirez is saying; that in all the countries of the world public officials resign to their post one year in advance, if they want to run for new posts is a blunder," Rosales underscored.

The government official argued, as part of this suit, that Articles 3, 12, 13, and 17 of the Political Constitution restrict the rights stipulated by the Constitution itself.

CSE: The Rules of the Game Must Be Clear As Soon As Possible [subhead]

Meanwhile, after confirming that Cesar had warned of the possibility of not reforming the Electoral Law while the high-ranking officials do not withdraw the aforementioned suit, CSE President Mariano Fiallo Oyanguren said that the "rules of the game" must be clear.

"What the CSE asked the National Assembly, the executive branch, and the political parties is that the uncertainties on the electoral process be resolved as soon as possible," Fiallos emphasized.

According to INEC [Nicaraguan Institute of Statistics and Census] studies, the potential population to attend at the national level amounts to 2,545,766 people. So far, the CSE has issued identification cards in 79 municipalities and one Managua district encompassing

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725,304 inhabitants. Identification cards have yet to be issued in another 64 municipalities encompassing 1,565,885 citizens.

Fiallos disclosed that for the process of issuing identification cards, the donor countries earmarked $10 million, while $4 million came from national funds. The CSE leader stated that "$11 million are still pending in order to finish the process of issuing identification cards."

Panama

Government Establishes Relations With Kazakhstan

PA1408172295 Panama City ACAN in Spanish 2224 GMT 9 Aug 95

[FBIS Translated Text] Panama City, 9 Aug (ACAN-EFE) — The Panamanian Foreign Ministry announced today that Panama and Kazakhstan, the former Soviet republic, today signed a protocol at the UN headquarters in New York establishing diplomatic relations.

Panamanian Ambassador to the UN Jorge Illueca and Kazakhstan's Ambassador to the UN Akmaral Arystanbekova signed the documents to establish diplomatic relations.

UN Secretary General Butrus Butrus-Ghali presided over the ceremony.

The Panaminian Foreign Ministry stated that Kazakhstan is located in Central Asia and is one of a group of nations of the former Soviet Union that became independent on 16 December 1991.

Director of ARI Board Chosen as Ambassador to Taiwan

PA1508195095 Panama City LA PRENSA in Spanish 15 Aug 95 p 4A

[Report by Rolando Rodriguez B.]

[FBIS Translated Text] Carlos Mendoza, the current president of the Board of Directors of the Interoceanic Region Authority (ARI), will be appointed Panama's new ambassador to Taiwan, anonymous government sources have reported.

Acting Foreign Minister Omar Jaen has neither confirmed nor denied this information. He did say that the position is vacant and that Mendoza meets all the requirements for the post because of his "stature, integrity, reputation, and his renown as a professional and a historian."

Jaen explained that Panama is interested in quickly filling the position left vacant by Isaac Hanono (whose removal has not yet been officially confirmed), because of the excellent relations between the two countries.

The Panamanian Government and Taiwanese businessmen are conducting negotiations for the latter to make hefty investments in Fort Davis and Fort Espinar, which will revert to Panama in September 1996.

In September, Panamanian President Ernesto Perez Balladares will begin a tour through several countries, including the United States, Japan, and Taiwan, where he will firm up contracts with Taiwanese businessmen.

The acting minister explained that it is not customary to divulge the names of the persons the government appoints to a diplomatic post until the government of the host country states its approval; therefore, he could not publicly disclose the candidate's name.

Carlos Mendoza, Jaen stressed, meets all the requirements needed to represent Panama before any government.

[Panama City Telemetro Television Network in Spanish at 1730 GMT on 15 August transmits a related underminute report that says: "'Telemetro Reports' has confirmed that the Panamanian Government will appoint Carlos Mendoza as the new Panamanian ambassador to Taiwan. Carlos Mendoza, president of the ARI Board of Directors since 1992, is awaiting the Taiwanese Government's approval and is preparing to leave for Taiwan soon."]

Approval of Labor Code Reforms, End of Strikes Viewed

Legislators React to Approval of Reforms

PA1308170395 Panama City LA PRENSA in Spanish 13 Aug 95 p A-1

[Report by Rolando Rodriguez]

[FBIS Translated Text] During its third debate yesterday and after nearly 12 hours of discussion, the Legislative Assembly plenum decided to approve the Labor Code reforms bill that had been discussed amid an indefinite general strike called by workers from the construction and banana sectors, as well as other unions. The approval also took place following intense negotiations between the government, the business sector, and certain workers organizations.

Debates on the reforms were extensive, such as when the second debate discussions prior to the approval lasted up to the early morning hours of the following day. The opposition bloc strongly protested this fact, having insisted that discussions take place during daylight hours.

The progovernment legislators rejected the opposition's request for a nominal voting process; that is, for each

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legislator to vote when each name was called. The result of the vote was as follows: 37 votes in favor, 32 against, and the abstention of Legislator Carlos Smith from the Democratic Revolutionary Party [PRD].

The voting process was carried out with several state ministers present, and approval of the reforms came about thanks to votes of at least half the PRD alternate legislators together with those of legislators from the Solidarity Party [PS]. Several of the principal PRD legislators decided to leave the session hall after addressing the assembly.

The reforms included such issues as compensation, property rights with regard to labor relations agreements, labor mobility, termination of labor relations, the dismissal fund, and relations with insurance brokers.

Articles also modified included those on compensation amounts to be paid in cases involving dismissals, seniority bonuses, labor union rights, collective bargaining, conciliation, and the right to strike. Other articles that were reformed but rejected afterward by the legislators include those on labor trials and the transfer of proceedings from a labor court to the judicial branch.

National Assembly President Balbina Herrera acknowledged yesterday before the full assembly that the PRD on 9 August had confronted problems in ensuring the support of several of its coalition legislators to approve the reforms during its second debate.

Likewise, the assembly president said she was prepared to face the political cost that may result following the decision to approve the reforms, while the opposition bloc made the PRD responsible for whatever setbacks these reforms may entail.

Marco Ameglio, speaking as a legislator and businessman, stipulated that the reforms will contribute nothing to improve the country's economy. Meanwhile, Legislator Olmedo Guillen believes the reforms will only make dismissing workers a more "rapid, easy, and inexpensive" process.

PS Legislator Noriel Salerno said the reforms are essential in order to encourage foreign investments, an argument several progovernment legislators supported. Miguel Bush (PRD) said employers and workers had agreed 100 percent on the need for reforms.

Rodrigo Arosemena, Nationalist Liberal Republican Movement legislator, charged that the assembly's internal statues had been violated during the voting session and that the alterations carried out on several articles were unconstitutional. Ruben Arosemena, of the Christian Democratic Party, described the reforms, however, as "stale, hackneyed" and said they will only encourage considerable dismissals of workers

Despite claims by Assembly President Balbina Herrera that there would be no geographical or territorial workers mobility—that is, mobility would only take place within the site where a company is located—several opposition legislators point to the likelihood of out of site mobility still occurring.

Victor Mendez (Papa Egoro) said that approval of this bill will bring no benefits to Panama, because it will not meet its objectives and that the reforms are aimed more at encouraging the dismissals of workers and making them come through.

PRD Legislator Abelardo Antonio said the reforms are convenient and urged his opposition colleagues to vote conscientiously and not simply follow party "lines," because he was certain they were voting mostly following orders from their respective party leadership.

Cesar Pardo, PRD bloc coordinator, who described President Ernesto Perez Balladares as the first worker of the nation, accused the opposition of resorting to "cheap politicking" and of not contributing anything substantial to improve the labor Code reforms.

Ricardo Benedetti, Arnulfist Party coordinator, said several of the union leaders, such as Aniano Pinzon, Mariano Mena, Egberto Cobos, and Norman, who participated as negotiators in the Tripartite Commission, are, in fact, public employees.

Following the approval of the reforms during the third debate, it will now be up to the executive branch to sanction and to promulgate the project in order for it to become law of the Republic.

Sitrachilco Ends 9-Day Strike

PA1508004795 Panama City Circuito RPC Television in Spanish 2300 GMT 14 Aug 95

[Report by Luis Antonio Navarette in Bocas del Toro Province; from the "RPC Television News" newscast]

[FBIS Translated Text] Changuinola banana workers will return to work tomorrow without having the ghost of reprisals hanging over them. The nine-day strike ended this afternoon with a prayer and a symbolic agreement between the Chiriqui Land Company and the Union of Chiriqui Land Company Workers, Sitrachilco.

The agreement that was reached states that no reprisals will be taken against workers who participated in the strike of the Changuinola banana plantations. Over 5,000 workers paralyzed the Bocas del Toro branch in the strike called to protest against the Labor Code

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reforms. Work in the banana plantations will be resumed at 0600 on Tuesday morning. Mario Smith, secretary general of Sitrachilco, said the workers supported the negotiation commission and the Sitrachilco board of directors.

[Begin Mario Smith recording] The workers must return to work in the early morning hours. The only thing I can tell them is that I congratulate them because they maintained their support of the board of directors and the negotiation commission. [end recording]

The end of the strike in Bocas del Toro came in the wake of a seven-hour meeting between labor leaders and workers. The meeting was held in the union headquarters in Changuinola, where at the last moment Engineer Alberto Chen, manager of the Chiriqui Land Company for Bocas del Toro, arrived and voiced his satisfaction for the decision of the Changuinola banana plantation workers to return to work on Tuesday.

Capac Estimates Strike Losses

PA1408195095 Panama City Telemetro Television Network in Spanish 1730 GMT 14 Aug 95

[From the "Telemetro Reports" newscast]

[FBIS Translated Text] Capac [Panamanian Construction Board] President Jose Felix Jelensky has reported that the sector is losing between $3 million and $4 million daily because of the strike. He appealed to the workers to reconsider, said that a large number of construction enterprises need to resume work urgently, and described the labor strike as absurd.

[Begin recording] [Jelensky] The strike leads to nothing practical. Construction workers should seek mechanisms to return to work while expressing their views in some other way.

[Reporter] What has the board done?

[Jelensky] So far, we have not been paying any salaries. According to the law, the 13-month bonus should be paid on Tuesday. Because of the strike, however, it would be very difficult for us to go to construction projects and make this payment. The payment could be made on the appointed date, however, if work has been resumed on Tuesday, so we can pay the workers at the construction sites. [end recording]

Jelensky said the present political climate in the country is keeping new investments away and that the sector has lost several million dollars as the result of this strike.

[Begin recording] [Jelensky] The strike will tremendously increase the possibility of workers losing their jobs.

[Reporter] How much has the industry lost? An approximate figure?

[Jelensky] Taking into consideration salaries, benefits, and the cost of construction projects, we estimate that the sector has been losing from $3 million to $4 million every day of the strike. [end recording]

Government Pays Treasury Bills, New Issue Placed in Market

PA1508044695 Panama City Circuito RPC Television in Spanish 2300 GMT 14 Aug 95

[From the "RPC Television News" newscast]

[FBIS Translated Text] The national government has paid 26 banks 15 million balboas worth of treasury bills which became due this Monday. Finance and Treasury Minister Olmedo Miranda delivered the checks to representatives of banks who had purchased the treasury bills.

This is the first time treasury bills are paid when they become due. The last issue made in May of 1988 was paid last 15 May.

Finance authorities also proceeded to place a new treasury bill issue which will be due on 12 November 1995.

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Argentina

Cavallo, Brazil's Malan Discuss Economies

PY1508235895 Buenos Aires TELAM in Spanish 1735 GMT 15 Aug 95

[FBIS Translated Text] Buenos Aires, 15 Aug (TELAM) — Economy Minister Domingo Cavallo and his Brazilian counterpart, Pedro Malan, agreed today that their countries need to continue opening their economies and gradually reduce their commercial differences.

Cavallo told Malan before the beginning of their meeting that their talk on bilateral trade would be held in the Paintings Hall, where Bolivia and Paraguay signed a peace treaty [ending the 1932-35 Chaco War]. Argentina was the guarantor for the negotiations leading to that treaty.

Economy Ministry sources said that during their meeting, the Argentine and Brazilian ministers also analyzed "the first outbreaks" — common in both nations — of a protectionist trend.

Pedro Malan arrived in the country yesterday and he will depart tomorrow. He is scheduled to speak at the Fourth Meeting of Successful Argentine, Brazilian, Chilean, Paraguayan, and Uruguayan Exporters.

The two ministers expressed satisfaction at the increasing rate of trade between the four Mercosur [Common Market of the South] member countries and at the conclusions of the latest Mercosur summit in Asuncion (4-5 August).

Economy Ministry sources said, however, that both ministers showed certain concern at "the increasing claims, in Argentina and Brazil, of protectionist groups who want more benefits for their local industries."

Rio Grande do Sul Signs Agreement With CGI

PY1508183295 Buenos Aires TELAM in Spanish 1632 GMT 10 Aug 95

[FBIS Translated Text] Buenos Aires — An agreement of reciprocal cooperation was signed this morning between the state of Rio Grande do Sul and the General Confederation of Industry (CGI) at the headquarters of the latter.

The agreement contains eight articles and highlights the commitment of the two parties to "carry out joint actions with the purpose of drafting and implementing programs that will favor economic integration and the development of small and medium-sized industries within the framework of Mercosur [Common Market of the South]."

The theme that will be considered in future agreements will include two aspects: the exchange of information on productive reality as related to legislation, the economic situation, and the market; and technical assistance aimed at the promotion and establishment of investment.

This last point will include associations in the productive sector: commercialization and export to third countries; trade exchange; technology transfer; financing; and business training.

The contributions that will allow the implementation of the agreement will emerge from a promotion fund of the state of Rio Grande do Sul, and in Argentina from the contributions obtained by the CGI from enterprises and financial organizations, and also from obligatory contributions from imports and exports made by the two parties.

The agreement was signed by Antonio Britto, governor of the state of Rio Grande do Sul; Adolfo Fetter Junior, secretary for international development and affairs; and Joao Carlos Brum Torres, secretary for coordination and planning.

For the CGI, the agreement was signed by Cesar Tortorella, the organization's president; Mario Oklander, secretary; Roberto Juarez, president of the Mercosur Committee; and by Eduardo Caracotche.

A news conference was held at the end of the formal ceremony. Governor Britto highlighted the importance that the integration agreement has for the Brazilian state of Rio Grande do Sul, and indicated that agreements such as today's are the beginning of the "real Mercosur."

Britto also indicated that he wants Rio Grande do Sul to be the nucleus of the Mercosur corridor — an imaginary line that goes from Bahia Blanca [Argentina] to Sao Paulo — which will allow it to obtain benefits and investment that will help in the restructuring of the state with infrastructure projects such as railways, energy, and telephones, among others.

"Mercosur now needs to help in the integration of the PyMES [Small and Medium-Sized Enterprises] without rejecting the large enterprises," the governor said, and concluded that "Mercosur will be a benefit only if there is an interrelationship between the interests of the four countries."

In turn, Tortorella said that "this is the Mercosur that we need, with an infrastructure that will make things easy and help relations between state and private sectors."

In conclusion, Tortorella promised an analysis of the areas in which cooperation is real and possible on the basis of geographic neighborliness, reciprocal identity

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and knowledge, and a study of the possibilities of exporting outside of Mercosur.

Bolivia

Eradication Needed To Forestall U.S. Ultimatum

PY1608025995 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 15 Aug 95

[FBIS Translated Text] There will be a new U.S. ultimatum if coca eradication is not fulfilled. This information was gleaned from remarks made by Foreign Minister Antonio Aranibar, who acknowledged that the specter of U.S. certification has not been scared away:

[Begin Aranibar recording] The government knows, the Bolivian people know, that in February 1996 the Bolivian Government will be either certified or decertified based on the results of eradication of surplus coca. Therefore, we are under the obligation to fulfill coca eradication goals that would guarantee coca eradication and the prevention of new coca plantations. This is a commitment made, it is an obligation that was established, and if it is not fulfilled by February 1996, we will be facing this problem, that is, certification or decertification. This is a process that will inevitably be enforced on us every year. [end recording]

The destruction of new coca plantations and coca nurseries without compensation is recognized by Law 1008, but it is also a government commitment before the international community, particularly before the U.S. Government, if the government wants to prevent new problems.

In this regard, Lee Brown, director of the U.S. Office of National Drug Control Policy, who arrived today, is now meeting with President Gonzalo Sanchez de Lozada to evaluate the government drug enforcement effort.

Peasants Said Producing, Trafficking Drugs

PY1608005295 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 15 Aug 95

[FBIS Translated Excerpt] According to Victor Hugo Canelas, national social defense secretary, some 100 peasant families of the Ayopaya and Seis de Agosto colonies, in Chapare, are suspected of drug production and trafficking.

Canelas revealed that during the past few days, 13 cocaine paste laboratories, 50 maceration pits, thousands of square meters of coca seed beds, and seven hectares of new coca plantations were destroyed.

The government has placed its cards on the table and announced its willingness to reach an agreement with the coca grower leaders. Since nothing in this world is free, the condition to do so is that the coca growers promise to endorse the struggle against drug trafficking despite the fact that some leaders, among them Evo Morales, have been charged with protecting this illegal trade with remarks and charges that distort the truth of what goes on in Chapare.

In this regard Victor Hugo Canelas said:

[Begin reording] [Canelas] I have not said they are alleged drug traffickers; I have only said they conceal and distort the truth. [Evo] Morales is aware of this truth. Do you know what? Evo [words indistinct] and other leaders have told us that the problem with regard to the coca seed beds and the coca plantations is that they want to continue planting coca, and that is the end of that. Either we fight drug trafficking or we do not.

[Unidentified reporter] Would you sign an agreement with them....

[Canelas, interrupting] If they support the struggle against drug trafficking, we will; if not, we won't. [end recording]

This is how things stand between the government and coca growers. There might be an agreement if the peasants promise to endorse the struggle against drug trafficking.

Coca producers have reacted indignantly to new public charges by Victor Hugo Canelas, who accused the coca growers and Evo Morales, in particular, of protecting drug traffickers.

During a telephone conversation with ERBOL, Evo Morales rejected those charges, stating that they were irresponsible and rash and, at the same time, desperate in view of the social unrest in the Chapare tropical region:

[Begin Morales recording] We are always accused, but we have never seen any proof of these charges. The government has three intelligence agents who keep track of our activities. They make charges but are unable to prove we protect drug trafficking as they say. However, I believe that what really compels some government authorities to say these things is their incapacity to reduce coca plantations in order to fulfill the eradication plan, and the labor union leaders are the target of these charges. [end recording] [passage omitted]

Coca Growers Deny Protecting Drug Trafficking

PY1608013395 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 15 Aug 95

[FBIS Translated Text] The General Trade Union Confederation of Peasant Workers of Bolivia confirmed it is willing to allow union leaders of the confederation to be

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investigated by an international commission on charges of allegedly protecting drug trafficking.

This decision was made public by Frolian Cano, secretary of cooperatives of the trade union federation, after learning about the accusations made by Government Minister Carlos Sanchez Berzain to the effect that coca growers leader Evo Morales protects drug trafficking. Cano clarified that this decision involves allowing the leaders to be investigated by a qualified international commission and not by a commission of corrupt members of the DEA or the Umopar [Mobile Police Unit for Rural Areas].

The peasants said that Minister Sanchez Berzain has no moral authority to speak about drug enforcement because it cannot be explained why, with so many economic and technical resources, the government cannot prevent the entry of precursors into the country. Cano asked: Why, with so many control measures, are the drug traffickers able to bring precursors to make drugs?

The leaders of the Bolivian Labor Federation [COB] said that the government is irresponsible for making the unfounded allegation that coca grower leaders are protecting drug trafficking. This comment was made by COB Secretary Juan Chavez. In the last few hours, officials of the Government Ministry said that coca grower leaders, by making comments that distort facts, are protecting drug traffickers. In this regard, Juan Chavez said:

[Begin Chavez recording] The government is being immoral by making accusations without any evidence. This type of accusation is not new; the government has been making such accusations for a long time, with no real evidence as justification. And I would like to reiterate that this is an irresponsible accusation because there is no real evidence proving the charges. For us, this is an accusation to justify the government intimidation and to continue to violate human rights in the Chapare. [end recording]

Brazil

Cardoso Yields to Pressure in Bahia Bank Case

PY1608013095 Sao Paulo AGENCIA ESTADO in Portuguese 2230 GMT 15 Aug 95

[Report by Claudia Carneiro and Tania Monteiro]

[FBIS Translated Text] Brasilia, 15 Aug (AE) — Yielding to the pressure exerted by Senator Antonio Carlos Magalhaes, President Fernando Henrique Cardoso today agreed to a proposal authorizing the Bahia administration to expropriate the stocks of the Economico Bank, which would thus be treated as a state-owned bank and placed under a temporary special administration. As a true army led by Senator Magalhaes, the Bahia bloc of lawmakers this afternoon advanced through the ground separating Congress from Planalto Palace to conclude — at President Fernando Henrique Cardoso's office — an agreement that resulted in the suspension of the Central Bank [BC] decision to place the Economico Bank under a trusteeship.

The Bahia lawmakers "preempted" an audience Cardoso was scheduled to give to an indigeneous delegation that was to convey gratitude to the president for "his good will." After staying for 40 minutes in the president's office, the Bahia lawmakers left Planalto Palace in a joyous mood. After meeting the president, Senator Magalhaes said that he is going to start a campaign to restore the confidence of depositors in the Economico Bank so that they may keep their deposits there and thus avoid a run on the bank. He said: "We want to prove that we are capable of rescuing the bank." He added that the "special administration" will conclude in approximately 60 days so that the bank may be privatized as soon as possible.

Through another agreement, the federal administration, the BC, and the Bahia administration are going to appoint new managers for the Economico Bank, upon the departure of BC-appointed trustee Francisco Flavio Sales Barbosa. The Bahia officials have ruled out the possibility of hiring a bureaucrat and are looking for a businessman with experience as a financial market operator. According to Deputy Benito Gama (PFL-BA) [Liberal Front Party-Bahia], the government's deputy leader in the Chamber of Deputies, the name of economist Daniel Dantas, who formulated the idea of expropriating the bank, was raised during the meeting with Cardoso.

According to Magalhaes, the expropriation of the Economico Bank stocks by the Bahia administration will be legally founded on a decree issued in 1941. He said that a token price of 1 real [R] will be paid for each stock. The Bahia government will thus become a majority stockholder of the bank and a small group will temporarily take care of its administration. The Bahia lawmakers believe that it will be necessary to make a R400 million deposit as soon as the bank reopens. This deposit will be made by a pool of banks and businessmen and a campaign will be set in motion to urge depositors to keep their deposits in the bank. Gama said that the stocks owned by the Economico Bank in Copene [Northeastern Petrochemical Company] will be used as an anchor.

After concluding the agreement with President Cardoso, Magalhaes said that he had not threatened to break with the administration yesterday. He said: "Under no

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circumstance will I break with the administration." In his opinion, the accord does not represent a victory for Bahia alone, but for Brazil and for the financial system, and the president made a point of being "consistent." Magalhaes added: "The president approved the proposal because it is a reasonable one and because he is aware that the special administration will be of a temporary nature." Gama said that President Cardoso emphasized that "the burden of the accord must in no way fall on the shoulders of the treasury or of the taxpayers." The president also gave assurances that if Pernambuco State wishes, it may apply the same procedure to the Mercantil Bank of Pernambuco.

Cardoso, Angola's Dos Santos Sign Oil, Debt Accords

PY1608020695 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 15 Aug 95

[FBIS Translated Text] Brazilian President Fernando Henrique Cardoso and Angolan President Jose Eduardo dos Santos today met for 90 minutes at Planalto Palace to open a new stage in Angolan-Brazilian relations.

In 1993, the Brazilian Government suspended its imports of Angolan oil as a result of the intensification of a civil war that has been waged in Angola, a Portuguese-speaking African country, for the past 34 years.

In 1996, Brazil will import 20,000 barrels of oil daily from Angola and the Brazilian Petroleum Corporation will prospect for natural gas in Angolan territory.

During their meeting, the two presidents also focused on the deployment of Brazilian troops as part of the UN peacekeeping force to Angola. President Cardoso conveyed his surprise with regard to the speed with which the Brazilian Congress approved the deployment of more than 1,000 soldiers to Angola. The Brazilian Finance Ministry disbursed the required funds for this peacekeeping mission.

[Begin Cardoso recording, in progress] ...Angola, which shows to a certain extent how seriously Brazil views the issues affecting Angola and Angolan-Brazilian relations. [end recording]

Cardoso and Dos Santos also signed an agreement to reschedule part of the nearly $1 billion Angolan debt to Brazil. The portion of the debt that is already due totals $436 million.

Colombia

Reportage on Former Defense Minister Botero Zea Arrest

Botero Zea Arrested

PA1508215895 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2103 GMT 15 Aug 95

[FBIS Translated Excerpt] We have a last minute report. Urgent. An arrest warrant has just been issued against former Colombian Defense Minister Fernando Botero Zea.

The former defense minister is currently at the regional Prosecutor's Office in Santa Fe de Bogota responding to the call made by the authorities and the prosecutors, who are in charge of Process 8,000.

The prosecutor general's office has just confirmed to Emisoras Caracol that the prosecutors in charge of the investigation of the incidents in which former Defense Minister Fernando Botero Zea is involved, have issued an arrest warrant against him in order to conduct a questioning session.

Colombians may recall the famous news conference in which the former Defense Minister Fernando Botero and Interior Minister Horacio Serpa Uribe explained to Colombians the situation in which they were involved at that moment.

Mr. Fernando Botero Zea tendered his resignation hours after giving the explanations in front of the media at the Narino Palace.

The former defense minister is currently at the regional Prosecutor's Office in the capital. In the next few hours, the authorities will be deciding where he will be transferred.

Emisoras Caracol Network has learned that former Defense Minister Fernando Botero went to the prosecutor's office at noon, and news of his arrest warrant was immediately made known. Emisoras Caracol has just learned that he went to the prosecutor's office voluntarily.

The arrest warrant against former Defense Minister Fernando Botero Zea has been issued at a time in which the Chamber of Representatives has began debating the alleged involvement of drug trafficking money in President Ernesto Samper's campaign. [passage omitted]

This is the second high-ranking official linked to Samper's campaign to be arrested. The first one was Santiago Medina, who was Samper's campaign treasurer. Now it is former Defense Minister Fernando Botero Zea.

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Emisoras Caracol learned a few minutes ago that the former defense minister showed up at the regional prosecutor's office. Emisoras Caracol was also able to learn that for the past few days, Botero was preparing his defense following his resignation. Emisoras Caracol was also able to learn that a pool of lawyers, a total of 10, were accompanying the defense minister when he showed up at the prosecutor's general office, which is investigating Process 8,000.

Government Supports Prosecutor, Praises Botero Zea

PA1608014495 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Aug 95

[From the "Seven O'clock Newscast"]

[FBIS Translated Text] The Narino Government Palace issued a communique this afternoon in which the government reiterates its support of all the actions of the prosecutor general seeking to clear up facts regarding the financing of the electoral campaigns.

The communique praises the work of Botero Zea as defense minister, particularly the persecution of the Cali Cartel leaders.

Botero Zea To 'Defend' President

PA1608011295 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Aug 95

[Communique issued by former Defense Minister Fernando Botero before leaving for the Prosecutor General's Office on 16 August; from the "Seven O'clock Newscast" — read by announcer]

[FBIS Translated Text] Just as I stated in my letter resigning from the post of national defense minister, I present myself today before the courts of justice to defend the acts of the president, of ranking government officials, and my own actions in the past electoral campaign. I await serenely and courageously whatever action is taken by the prosecutor general's office regarding my personal case.

On resigning from the ministry I also resigned from the constitutional immunity reserved for state ministers, and which at any given moment might be considered an immense advantage in a lawsuit. Today, I appear as any citizen before the regional court of faceless judges. I hope for the good of the country, the national government, and myself, that this situation will be cleared up as soon as possible. I assume the development of this lawsuit with honor and tranquillity.

[signed] Fernando Botero Zea

Prosecutors To Decide Botero's Case in 10 Days

PA1608021695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Aug 95

[Report by Orlando Guerrero; from the "Seven O'Clock Newscast"]

[FBIS Translated Text] [Announcer] After testifying today, former Defense Minister Jose Fernando Botero Zea will be transferred to the Army's Cavalry School north of Santa Fe de Bogota, where he will remain until his interrogation ends. Orlando Guerrero reports from there. Good evening Orlando, what is the situation there?

[Guerrero] Good evening William. We are now north of Santa Fe de Bogota, near the 13th Brigade, specifically in front of the Cavalry School where former Defense Minister Fernando Botero will be brought in a few minutes. It was precisely here during Julio Cesar Turbay Ayala's administration that some members of the then-guerrilla group M-19 [19 April Movement] were held prisoner in the stables. During those days there were reports of tortures committed in this place.

Paradoxically, today Botero Zea will be imprisoned in one of the prosecutor's houses [casas fiscales] which was especially furnished for him. He will be here for approximately 10 days, rendering testimony. After that, the prosecutor general's office will determine if he should remain under arrest. Otherwise, he will be immediately released.

[Announcer] After his resignation, former Minister Botero should be investigated as a common citizen by faceless prosecutors. For that reason, he will remain under arrest while being interrogated. His situation will be defined later on, when the prosecutors will decide whether he should remain under arrest, or be released. Legally, the former minister is just facing an initial investigation.

During today's interrogation, the faceless prosecutors — who are investigating the infiltration of drug trafficking money in President Ernesto Samper's presidential campaign — asked former Minister Botero to explain the way in which the campaign funds were managed. He was also asked to explain the accusations made against him by Santiago Medina, the former campaign treasurer, who is also under arrest on contacts made with Cali Cartel chiefs.

The prosecutors will have 10 working days to decide the legal situation of former Defense Minister Fernando Botero. In other words, they will study the evidence presented against Botero Zea and will determine if they

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are sufficient to maintain him in jail, or if not, will order his release. During this period, Botero will be imprisoned at the Army's Cavalry School.

The arrest warrant against Botero was issued this morning. Contrary to what many people believe, he is not being interrogated within the Process 8000, but within a new one opened as Process 2538, derived from the former. Former campaign treasurer Santiago Medina is also being investigated within the same process for the same presumed crime: illegal enrichment to favor third parties.

Representatives React to Arrest

PA1608024995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Aug 95

[Report by Juan Carlos Mateus from the "Seven O'Clock Newscast"; speakers identified by caption — passages within quotation marks recorded]

[FBIS Translated Text] [Mateus] When the news of the arrest of former Defense Minister Fernando Botero Zea was made known, there was an uproar at the Chamber of Representatives at its plenary session. Congressmen started speculating on the type of solutions to this crisis that Colombia is facing and on the path that President Ernesto Samper will follow.

At this time, we are expecting the appearance of both Prosecutor General Alfonso Valdivieso and Interior Minister Horacio Serpa Uribe to learn of their positions on the events made public on the afternoon of 15 August.

If there is more information, we will make it public in due time.

[Announcer] Juan Carlos, there were all kinds of reactions on Botero's arrest by congressmen at the Chamber of Representatives.

[Conservative Representative Pablo Victoria] "The government's credibility has been seriously damaged and, naturally, the Conservative Party commits itself through this arrest warrant, and must commit itself to immediately withdraw from the government, because this situation is quite serious."

[Liberal Representative Yolima Espinosa] "This, in no way, is undermining government institutions. I believe that the important thing for Colombia and the country and what all Colombians are expecting to learn is the truth of these events."

[Conservative Representative Manuel R. Velasquez] "The president's men occupying executive positions and the high-ranking officials must step aside for the Accusations Commission and the Prosecutor General's Office to be able to continue with their investigations, and in due time, render a decision without our interference on the president of the Republic."

[Independent Representative Carlos Alonso Lucio] "Congress is going to have to make a number of observations and a number of criticisms on the prosecutor general's office's legal maneuvers. Since the prosecutor general's office is basically working on marketing, its image, and publicity, then such a blow to the image and such a scandal as Botero's arrest indeed today makes this office the subject of debate at the Chamber of Representatives."

[Independent Representative Ingrid Betancur] "I take this opportunity I am being given to call on the president. I believe the president must take the necessary measures to find a solution to this crisis. We cannot go on amid this anxiety and uneasiness."

Pardo To Attend ACS Meeting In Place of Samper

PA1608041995 Mexico City NOTIMEX in Spanish 0145 GMT 16 Aug 95

[FBIS Translated Text] Santa Fe de Bogota, 15 Aug (NOTIMEX) — Colombian Foreign Minister Rodrigo Pardo will attend the first summit of the Association of Caribbean States [ACS] in place of President Ernesto Samper, the Foreign Ministry has reported.

The Foreign Ministry stated in a communique that Pardo will travel tomorrow, Wednesday, to Trinidad and Tobago to represent the Colombian government at the meeting of Central American countries, although he omitted speaking of Samper's absence.

Colombia is part of the ACS, which was created last year in the Colombian town of Cartagena de Indias. The ACS groups 25 countries of the Caribbean, Central America, and the Group of Three.

The ACS, which was created in July 1994, is made up of Antigua and Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, and the Dominican Republic.

Also participating are Saint Kitts and Nevis, Saint Lucia, Saint Vincent, Suriname, Trinidad and Tobago, and Venezuela, and 11 territories that are dependent on European countries.

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Political Crisis Said To Impact on Economy, Peso

PA1408185195 Madrid EFE in Spanish 1427 GMT 9 Aug 95

[FBIS Translated Text] Santa Fe de Bogota, 9 Aug (EFE) — The political and institutional crisis Colombia has been suffering for the past two weeks has prompted an increase in the value of the U.S. dollar in the local market, which may prevent the devaluation from reaching the 17-percent government target this year.

The representative exchange rate for the U.S. currency is today 920.10 pesos to the dollar, up from 916.14 pesos to the dollar on Tuesday.

Last Tuesday, when the crisis forced Defense Minister Fernando Botero Zea to resign, the dollar value at the representative foreign exchange market was 898.35 pesos.

The representative rate is an average of the free market and the official market exchange rates, and it is reported by the superintendency of banks and set by the Bank of the Republic (issuing bank).

Year-to-date devaluation amounts to 10.17 percent, and in the last 30 days devaluation totaled 2.79 percent.

Santa Fe de Bogota's daily EL TIEMPO called the situation the "Medina effect," in reference to the former treasurer of the presidential campaign of Ernesto Samper, antiquarian [anticuario] Santiago Medina, whose revelations to the Prosecutor General's Office sparked the crisis.

According to projections, the devaluation target, according to which the price of the U.S. dollar would be 944 pesos the last day of this year, is "very close" to being attained.

If this upward trend of the U.S. dollar continues, the devaluation would be much greater and, considering the current price, devaluation is expected to reach 17 percent.

The only thing that is clear, according to an EL TIEMPO analysis, which cites sources at the Bank of the Republic (issuing bank), is that the devaluation is "advancing rapidly," thereby promoting sales abroad and slowing imports.

With this, the current account deficit (foreign revenues minus spending) will be less this year.

Last week, in the two days of greatest political agitation, there was a drop in the main stock exchanges of the country over the scandal of the "narcomoneys" [narcodineros].

On 2 August, the Santa Fe de Bogota Stock Exchange Index (IBB) dropped by 4.3 percent, the lowest it has been since March 1993.

Meanwhile, the Medellin Stock Exchange dropped that day by 3.69 percent.

Both stock exchanges have been able to bounce back and remain stable.

Last week, economic daily LA REPUBLICA stated that the persecution against Cali Cartel bosses allowed authorities to stop the entry of "drug money" in the local economy and appreciated the U.S. currency.

Official Denies Crisis Affects Economy

PA1408043495 Mexico City NOTIMEX in Spanish 1850 GMT 10 Aug 95

[FBIS Translated Text] Santa Fe de Bogota, 10 Aug (NOTIMEX) — Finance Minister Guillermo Perry today denied that the political crisis prevailing in Colombia, following charges of mafia money being filtered to the presidential campaign, will affect the country's economy.

The official admitted that recent incidents caused somewhat of an effect on the country's stock market last week, but have not had the suggested impact on the local economy.

Speaking before the Colombian Congress, the finance minister said that foreigners "continue to see us as a country with a stable economy" and added that proof of that is that there have not been any withdrawals of resources.

The political uncertainty generated by the charges about the presence of drug-trafficking money in the campaign that brought liberal President Ernesto Samper to power caused in two days a virtual 6-percent drop in the operations of the Santa Fe de Bogota stock market.

According to the Colombian minister, this situation more than anything was due to a normal situation of apprehension on the part of investors.

He explained that the economy is doing "so well" that exports are increasing at a faster rate than imports. He said oil sales abroad are expected to generate $3.5 billion more, without counting on recent oil findings.

Perry said that the government has not "failed" in terms of the social pact signed by businessmen, workers, and the government to halt inflation by 18 percent, to improve production, and to increase the workers' buying power.

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Although the inflation goal at this time appears to be too ambitious, we will maintain our sights in that direction," he concluded.

Despite the fact that the cost of living in Colombia was 0.72 percent, the lowest in the past decade, the accumulated amount this year was 14.63 percent. According to analysts, this permits predicting a failure of the government projects late this year.

Fenalco Leader Supports Samper on War on Crime

PA1408045395 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 9 Aug 95

[Telephone interview with National Federation of Businessmen President Sabas Pretelt de la Vega by Dario Arizmendi, director of the "Caracol's 0600 to 0900" newscast, and an unidentified reporter in Santa Fe de Bogota — live]

[FBIS Translated Text] [Arizmendi] Sabas Pretelt de la Vega, National Federation of Businessmen president and business leader, played a major role during the meeting that President Ernesto Samper Pizano held yesterday at the Narino Palace with close to 80 business leaders. Dr. Sabas Pretelt de la Vega, good morning.

[Pretelt] Good morning, Dario.

[Arizmendi] Does the president have your full support?

[Pretelt] The meeting was very important because the president talked about the need to have a national pact against violence as his wife said a few days ago. We conducted an extensive analysis that lasted several hours with the president and later among the businessmen alone on the difficult situation the country is experiencing, meaning, violence, and not just the violence that stems from drug trafficking and guerrilla activity, but also common crime. Out of the 30,000 homicides in Colombia, only 6 percent or 7 percent are attributed to guerrillas or drug trafficking, the rest is because we are killing each other for the slightest reasons.

[Arizmendi] Will the text of the declaration by the Colombian private sector be announced at 1000 this morning on the president and his appeal?

[Pretelt] That is right. We agreed to issued a communique. We closed ranks on the appeal by the president. We felt it absolutely necessary to rally around the president in his appeal against violence. All Colombians must become committed to it. The president said his government is highly interested in reaching imminently national objectives. In that respect, he also received the solidarity of Colombian businessmen, of course.

[Arizmendi] Do you think that this great pact or appeal will give rise to a cabinet crisis, as some sectors, especially the Conservative Party, have suggested, with the departure of the government minister?

[Pretelt] To be honest, the president only referred to the need to have a government of national scope, and the private sector volunteered its support in that respect. We are seeking to prevent divisions among us. We are seeking consensus on the objectives of the president, especially on social issues, on the issue of the war on crime. The business sector most respectfully understands that decisions regarding the cabinet fall solely within the purview of the president. That is why we did not make proposals on that topic. Nobody suggested cabinet changes to the president, nor did the president made any offer in that respect.

[Reporter] Does today's statement by businessmen come as a response to the appeal for a national pact against violence president Samper Pizano made or, in general, to support him in the face of what the president denounced as a conspiracy of lies and slanders against him?

[Pretelt] The president made an appeal for a pact on the topic of violence to seek greater tranquillity to all Colombians, and on social issues that are closely related violence, the inadequacies that exist in Colombia, in regard to the (?high) level of poverty in the country, etc., and the contribution the private sector may make on this topic. The private sector analyzed the current political situation. We expressed our solidarity with the actions that the Office of the Prosecutor General may carry out. We asked the Chamber of Representatives committee that has to study the situation of the president to do so promptly and, obviously, respecting due process. The entire discussion revolved around the topic of violence and the situation of the country. In that respect, we support the president.

[Reporter] Sometimes, whenever an appeal to sacrifices is made there is also talk about getting something in return. Did you?

[Pretelt] In the least. We did not go there to ask but to give. We went to give our solidarity and tell the president that Colombia's private sector wants to work for this country by setting aside confrontations and hatreds among different sectors and seeking a national pact.

[Arizmendi] How do you view today the position of President Ernesto Samper Pizano?

[Pretelt] It seems to me that so long as we have a president whose credentials are legitimate Colombians have to rally around him in the situations he has to face,

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especially in his struggle to move the country forward. The topics we discussed yesterday are closely related to that.

[Reporter] Did you watch the debate yesterday on television's Cadena Tres?

[Pretelt] I was surprised to see how much progress the Congress has made and the good job in conducting the debate. It was very orderly and disciplined. This shows progress in Colombian democracy. Each lawmaker spoke within the period assigned to him in a respectful manner. The speeches were brilliant. The defense by Government Minister Horacio Serpa was splendid. I was surprised to see how the Congress has changed. I feel the private sector must publicly commend this democratic forum.

More 'Compromising' Samper Talks Revealed

PA1408020795 Panama City EL SIGLO in Spanish 10 Aug 95 p 14

[Unattributed article]

[FBIS Translated Text] When Ernesto Samper decided to replace Monica De Greiff with Santiago Medina as treasurer of the political campaign in January 1994, he did not foresee the catastrophic consequences that his decision would have on his future government.

Everything went well until, as usual, the DEA sleuths and other U.S. drug officers sent the famous narcocassettes to the Colombian media and legal authorities and triggered a serious scandal because of the people involved in the talks with the Cali Cartel kingpins.

Compromising talks

In those famous tape recordings, Gilberto Rodriguez Orejuela and Alberto Giraldo can be heard discussing details on the criminal organization's possible contributions to Samper's campaign. Medina's name is heard three times in those tapes.

Although Rodriguez and Giraldo awkwardly tried to use code names so as not to identify people they are mentioning, it is clear in the taped telephone conversations that they had talked to Medina to send an important contribution to the campaign.

One of the deciphered passages in those recordings clearly indicates that Medina met with Gilberto Rodriguez at some time.

The Cali Cartel kingpin expressed his interest in talking to the president's treasurer and agreed that "El Flaco" (sort of the kingpin's secretary; the police tailed this man and this action led to Rodriguez' subsequent arrest) would telephone the Ateneum Club in Bogota, where Medina and Giraldo would be having lunch, so that he could talk to Rodriguez.

The most revealing and compromising part is when Giraldo tells Medina, with respect to Samper's campaign, that "they are counting on that money today" and Rodriguez replies "we have already sent four."

During the same conversation, Giraldo states: "that Samper guy is really showing that he is a good friend" and Rodriguez adds: "I hope the S.O.B.'s heart does not run down on the road."

Previous history

When former Colombian President Cesar Gaviria found out that Santiago Medina was going to take charge of the finances of Ernesto Samper's campaign, he sent a confidential report that damaged the future treasurer.

A high-ranking government official at that time met with a board member of the current president's political team to point out that Medina had worked for deceased candidate Luis Carlos Galan and had wanted to continue working with Gaviria after Galan's death.

To further his objective, the treasurer had organized a luncheon and invited eight possible donors to the former president's campaign.

A former minister, who was one of the officials in charge of that campaign, recalled that "out of the eight checks Medina gave us after that luncheon, we only cashed one and rejected the other checks."

According to the same source, the organizers of Gaviria's campaign sent checks that had an uncertain origin to be verified by security organizations "and, police authorities were the ones that warned us that we should return seven of those checks."

The source said that years later, when Medina took charge of Samper's finances, top-ranking officials of the previous government had reported the incident of the drug traffickers checks to the political campaign leaders.

Arrest

When a group of Technical Investigation Corps members, headed by its director Hernan Jimenez, stormed Santiago Medina's residence with an arrest warrant on 26 July, Colombia still did not fathom the magnitude of the scandal that was about to explode.

The arrest of the former treasurer has a serious impact on the country's political stability. It would be evident that the Cali Cartel financed the current Colombian president if it is legally confirmed that dirty money was used in Samper's campaign.

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Already the people have shown their distrust and lack of credibility in the president when his popularity rating dropped from 63 to 56 percent in only 24 hours, before and after Medina was arrested.

Second conversation of the first narcocassette

Alberto Giraldo: How are you?

Miguel Rodriguez Orejuela: Well, I am well

[Giraldo] Well, look, the guy is really pressed for funds.

[Rodriguez] Whom?

[Giraldo] Who else, the man!

[Rodriguez] Eduardo?

[Giraldo] Yes.

[Rodriguez] Yes, we... he already sent us an emissary.

[Giraldo] Ah! Good!

[Rodriguez] Yes, yes...

[Giraldo] But, is he the same one I know?

[Rodriguez] It is just that there are a few things that are screwed up. Ah!

[Giraldo] Because they want absolutely everything.

[Rodriguez] How's that?

[Giraldo] Let's see.

[Rodriguez] Let's see.

[Giraldo] He, he.

[Rodriguez] Where are you?

[Giraldo] I am using a very safe telephone.

[Rodriguez] Well.

[Giraldo] It is Eduardo.

[Rodriguez] Eduardo.

[Giraldo] Is he the messenger?

[Rodriguez] No, no (...)

[Giraldo] I do not understand that.

[Rodriguez] Yes, yes, yes. Just relax and we will explain this personally to you.

[Giraldo] But tomorrow I will be going there with Eduardo for that same reason.

[Rodriguez] No. Well, yes, come, but we will talk here. Let us talk and we will tell him how things are, but do not comment anything.

[Giraldo] But Medina is also calling me.

[Rodriguez] Who?

[Giraldo] Medina?

[Rodriguez] We already spoke with Medina, son, relax. One thing must be kept apart from the other!

[Giraldo] But, look: The basic thing here is for all five points to remain quiet, defined, and all accommodated.

[Rodriguez] How's that?

[Giraldo] There are five points that mean appointments that are fundamental. No?

[Rodriguez] No, now I spoke to the brother and you come tomorrow with Eduardo.

[Giraldo] Well, I have to speak to him now.

[Rodriguez] Well yes, but stop speaking about this on the telephone.

[Giraldo] That's why. OK, what do I tell Medina?

[Rodriguez] Tell Medina that we already spoke last week and that this week we are going to... we are going to... what we spoke.

[Giraldo] But I will be there tomorrow, it will have to be Wednesday then.

[Rodriguez] Yes, yes, yes. Be here tomorrow. It will be Wednesday when we send him some money and about Monday week we will send the rest.

[Giraldo] OK, fine. Now something else, sir.

[Rodriguez] Well, how do you see this Samper business?

[Giraldo]) It is in your hands. How strange! No?

[Rodriguez] Then why is Medina saying that the Santo Domingo [gang] can give whatever they like?

[Giraldo] No, that is not true either.

[Rodriguez] That's what he told us the day he came.

[Giraldo] I heard him but that goes two-ways. They have a limit and then that is it. Look, then: the truth of the matter is that they need five billion [currency not specified], of which they have two billion secured. They need three billion from you.

[Rodriguez] We have that. That has been agreed.

[Giraldo] Of course, son of a bitch, I do not even get five.

[Rodriguez] No, you cannot fix things for us.

[Giraldo] Ah!, but on the other hand...

[Rodriguez] That is the problem, that is the small leper...

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[Giraldo] You see, I, on the other hand, have to do all this...

[Rodriguez] Fine, but the day you become a presidential candidate with a 47 percent opinion rating, will not only have that: you will even have our lives.

[Giraldo] But by then...

[Rodriguez] Oh, well!

[Giraldo] But, will you do the change thing for me?

[Rodriguez] The day after Samper wins you will have the change.

[Giraldo] What?

[Rodriguez] The day after Samper wins you will have the change.

[Giraldo] But, it is not that as soon as Samper wins you must give me...?

[Rodriguez] No, no. As soon as Samper wins I will make the change for you. I don't know what the four of us are going to give you. But as soon as Samper wins, the next day I will make the change for you! Don't go along asking every place. I will do it!

Third conversation from the first narcocassette

[Giraldo] Here is another topic, which is very delicate: I spoke with Eduardo yesterday.

[Rodriguez] Yes.

[Giraldo] The presidency depends on you people.

[Rodriguez] But where are you?

[Giraldo] I am on a good phone.

[Rodriguez] Well.

[Giraldo] And he told me to go and speak to you tomorrow.

[Rodriguez] But you must keep him informed that this other gentleman very prudently came here. Listen, [tell him] we met with him and what we are doing.

[Giraldo] Yes, I told him that.

[Rodriguez] ...Eduardo, what does he say? What is he up to?

[Giraldo] Look, he spoke with both, the two big ones. With number one and with who is going to be number one for the green and the man plans to reach an agreement with you. I more or less told him what had been discussed and he told me: "Look, he gave me carte blanche to negotiate." That is fantastic.

[Rodriguez] Let's see, brother, because the thing is that they get excited about anything, it is crazy (...)

[Giraldo] No, the odd part of all this is that they called me to act as second [canoa] in that issue. However, the rest I will tell you afterward, I will tell you tomorrow.

[Rodriguez] But Alberto, you are the one who is willing to that at all moment. There have been attempts to seek, cooperate, one person as well as the next has possibilities, they are intelligent.

[Giraldo] We will speak about that tomorrow.

[Rodriguez] Then they are worthy. Then we will speak about that here.

[Giraldo] Just take a look: number one met with Eduardo. He said: "Do whatever you have to do, I do not have to know, but just do what you have to do."

Second Narcocassette

Gilberto Rodriguez Orejuela: Hello!

Alberto Giraldo: What's up?

[Giraldo] How is it going, son?

[Rodriguez] What else. How are things going?

[Giraldo] I am going to meet with him, Santiago Medina, right now.

[Rodriguez] Yes.

[Giraldo] Would you like to speak to him?

[Rodriguez] Yes, of course, yes.

[Giraldo] Really?

[Rodriguez] Yes.

[Giraldo] Then tell "El Flaco" to call me at this number at 1400 this afternoon... Hold on a minute and I will give you the number of the place where I will be with him.

[Rodriguez] Yes.

[Giraldo] Let us see... Atenuem Club... Ateneum Club. It is 610.

[Rodriguez] 610...

[Giraldo] 8504.

[Rodriguez] 04. I ask for you, right?

[Giraldo] Yes, and also 6108502

[Rodriguez] Yes. At 1300 in the afternoon?

[Giraldo] No, 1400, 1400, 1400.

[Rodriguez] 1400.

[Giraldo] Correct. 6108502.

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[Rodriguez] Right.

[Giraldo] They are counting on those funds today.

[Rodriguez] We have already sent then four, right?

[Giraldo] Yes, four.

[Rodriguez] I believe we have. I will confirm between today and tomorrow.

[Giraldo] I believe we have. I will confirm between today and tomorrow.

[Rodriguez] What else.

[Giraldo] You then call to find out what has taken place. That Samper is really proving that he is a good friend.

[Rodriguez] I hope that son-of-a-bitch does not decide to have a change of heart.

Ecuador

Commerce Minister: WTO Agreement Favors Banana Trade

PA1608050095 Madrid EFE in Spanish 1842 GMT 15 Aug 95

[FBIS Translated Text] Santa Fe de Bogota, 15 Aug (EFE) — Today, Jose Vicente Maldonado, Ecuadoran industry, commerce, integration, and fisheries minister, affirmed that the agreement between his country and the World Trade Organization [WTO] will benefit the free trade of banana, of which this nation is the world's largest producer.

Maldonado, who attended a meeting with the economy and commerce ministers of the Andean Group countries on 12 and 13 August, made this statement during an interview published today by the Santa Fe de Bogota economic daily LA REPUBLICA.

The Ecuadoran minister said that the framework agreement Colombia, Costa Rica, Nicaragua, and Venezuela signed on access to banana quotas for the EU nations, reduces investments and exports and adversely affects his country.

The official underscored that "this is an issue of very high priority for Ecuador, because we are dealing with our country's first export product and because 300,000 Ecuadoran families live off this activity, which is more important yet."

"I believe it is time to explore a rapprochement in our positions toward Europe to ensure it will not limit the free exchange of investments and exports in our countries," Maldonado added.

Questioned on the fear Colombian businessmen have over a likely Ecuadoran neglect of the Andean price band system, he explained that the WTO reservations on this issue are not aimed at his country, but at the entire Andean Group, which is also made up by Bolivia, Colombia, Peru, and Venezuela.

He also explained that Ecuador has proposed to dismantle this system gradually within the next seven years, not to dissolve it altogether.

Regarding a future agreement between the Andean Group and the Common Market of the South (Mercosur), the Ecuadoran minister pointed out that "this process is indispensable and positive for the industry, but that it is natural" for businessmen "to have certain concerns, because the local industry could at any time come out the worse for wear."

In addition, Maldonado affirmed that in these negotiations, Ecuador must be treated "as a country of lesser relative development in order to achieve equity in the process."

Finally, he talked about the exchange with Colombia, saying that business with Colombia, which amounted to $600 million last year, will exceed $800 million this year.

Efforts to Close Fiscal Gap Continue

95SM0461A Quito EL COMERCIO MARTES ECONOMICO SUPPLEMENT in Spanish 29 Jul 95 p 4-A

[Commentary by Oswaldo Davila Andrade: "Close the Gap"; received via Internet]

[FBIS Translated Text] Quito,7 July 1995—The real size of the "fiscal gap" continues to be a mystery to ordinary people. After a stormy debate nothing was clarified by the way it was conducted. Then it was reported that the gap had been reduced by more than 1.0 billion sucres to a figure which had been "worked out" with Congress of 390 million sucres. Subsequently, the government promised to give health workers something like 170 million sucres in exchange for ending a strike. It offered to begin to liquidate the debt of 104 billion sucres which it owes to the IESS [Ecuadoran Social Security Institute] by paying it back in weekly installments of 4.0 billion sucres, plus a package of bonds to make up the difference. In addition, last week the minister of education said that it would be necessary to find funds to implement the law on freedom of religious education.

We do not know what effect all of these figures will have on the "gap." What we do know is that, in any case, it will be necessary to find resources to fill it.

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To find these resources, the president of the Monetary Council was reported in EL UNIVERSO of 20 July as stating that a possible course of action is being studied which looks at three sources of funds to close the fiscal gap. These include: "technical reforms" in tax collection, broadening the scope of the value added tax [VAT], and the issuance of bonds guaranteed by the resources obtained from the sale of EMETEL [Ecuadoran Telephone Company]. In our opinion these arrangements are much more reasonable than a generalized increase in energy rates with which we were threatened when the "budgetary gap" first appeared.

Improved control of tax collections will certainly provide an appreciable increase in tax income in a country in which tax evasion is a kind of national sport. However, controls by themselves will not be enough. It will be necessary to conduct a campaign of tax education based on the honest administration of tax collections. This is an argument which can only be effective over the medium term. According to available evidence, under present circumstances nobody—except those people in that pseudo-pathetic television campaign—is going to be able to convince people that their taxes are not going to be used for dubious or unadmitted purposes. Nevertheless, we have nothing against this measure in itself. Rather, we feel that it must be supported.

Regarding the proposal to broaden the scope of the value added tax, we are also partly in agreement. There are certain luxury products or things that we can do without which undoubtedly should pay the VAT. This is not the case with some products under consideration to which it is proposed to apply the VAT, such as medical equipment and instruments and newsprint, among other things. Regarding medical equipment, it is not clear why it should be subject to tax when, in the same proposal, machinery and equipment for public works and services "considered to have priority" by the CONADE [National Development Council] continues to be exempt from payment of the VAT. If equipment to take care of public health is not a priority matter, then we do not know what is. Regarding newsprint, the tax is going to raise the already very high cost of this product in the international market, which will have an impact on the cost of daily newspapers. Why not consider taxing luxury paper on which certain, inconsequential magazines are printed which specialize in retailing gossip? Certainly, the tax collection would be much less. However, at least it would not keep people from being less well informed, because of the increased prices of newspapers, than they already are.

The issuance of bonds carries the implicit approval of the law for the privatization of EMETEL, which was to have been passed into law some time ago but which, apparently, is part of a package of "arrangements" between the executive and legislative branches of the government. Indebtedness in bonds, interest on which would certainly be paid from what capital investments received from the sale of EMETEL would produce is not a bad idea. What would be important is that, when the bonds are issued, a system should be established under which those bonds would be purchased by Ecuadoran savers. For this purpose it would be necessary for the bonds to be issued in small denominations, for a reasonable period of time, and with a rate of interest high enough to compete with other obligations sold on the financial market.

Furthermore, these three potential sources of income would serve to relieve the monetary authorities of the headache resulting from a possible excess in liquidity. Together with uncertainty, this is what makes the U. S. dollar increase sharply in value from time to time, in terms of the sucre, forcing the Ecuadoran authorities to intervene in the foreign exchange market.

What the authorities are not going to be able to avoid is the impact of the first two measures listed above on prices. This could force them, once again, to change the inflation goals. Then what is the IMF [International Monetary Fund] going to say?

Under Secretary Discusses Land Reform Proposal

95SM0461C Guayaquil EL UNIVERSO in Spanish 31 Jul 95 p 4

[FBIS Translated Text] Quito—The change proposed by Congress to Article 51 of the Political Constitution of the Republic guarantees private property in land under cultivation and stimulates agricultural enterprise. This was stated by Ignacio Perez, technical under secretary of the Ministry of Agriculture.

Furthermore, Perez considers that this change will end the hoarding of land and the practice of one person or group holding large tracts of land [latifundio]. It will stimulate production by communities and cooperatives through the integration of units of production.

In his view this reform complements the change in Article 17 of the Law on Agrarian Development, in which the state guarantees private property in the form of land, in accordance with Articles 48 and 51 of the constitution.

Article 17 of the Law on Agrarian Development provides that the land can be made use of and worked by individuals, families, cooperatives, associations, communities, and self administering or societal groups, as long as the land performs its social function.

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Social Function of Land

Perez emphasized his reference to social function, pointing out that this is accomplished when the land is used to grow crops. He noted that when this is done, it eliminates the possibility that the land is being held in the hands of a simple owner. He compared this situation to the proposed amendment, which states that the state guarantees private property in the form of land in production and stimulates agricultural enterprise.

He emphasized that in this proposal no incentive is given to the concept of land which is fallow. This amounts to the equivalent of land hoarding. Neither does this proposal seek to apply the absolutist concept of property, independently of whether it produces or has been abandoned.

Regarding the stimulation of agricultural enterprise, he explained that the Law on Agrarian Development mentions the forms of work by which the state guarantees that the land will be worked by its owners, whether they are natural or juridical persons.

The Property Owner Assumes the Risks

He said that directly working the land implies that the owner assumes the risks and costs of production, personally or in a contractual way provided for in the Civil Code, the Labor Code, and the laws on cooperatives and communes.

Perez added that the state guarantees increases in agrarian production through stimulating associations, cooperatives, communities, and businessmen which assist in the optimum utilization of all of the resources involved in efficient, agrarian production. He commented that this is very similar to that part of the proposed amendment to the constitution which stimulates community and cooperative production through the integration of production units.

He pointed out that one of the principal objectives of this law is trying to minimize or eliminate the emergence of conflicts, leaving aside the subjective aspects of such matters.

Unfounded Fears

Perez said that fears among farmers regarding the proposed amendment to the constitution are unfounded. He expressed the view that the proposal is a single unit included in a political platform, particularly since farmer leaders and trade union sectors both belong to a group lacking in prestige.

He said that by rejecting the proposed amendment of the constitution by Congress, on the grounds that it is a political maneuver, these groups are saying unintentionally but in fact that their opposition is not to the change in Article 51 of the constitution but to a similar change in the Agrarian Law. He declared that no such change in the Agrarian Law has been proposed.

Gen Paco Moncayo Reveals Remaining Mines Only in DMZ

95SM0461B Guayaquil EL UNIVERSO in Spanish 2 Aug 45 p 9

[FBIS Translated Text] Quito—Gen Paco Moncayo, the commanding general of the Ecuadoran Army, has revealed that antipersonnel mines located in the Alto Cenepa area are not a danger because they are in the demilitarized zone. He also stated that the mines were installed by Peruvian personnel during the recent hostilities.

The general said that Ecuador deactivated almost all of the mines in the Provinces of El Oro and Loja, and that the only mines remaining are in the area where the armed clashes took place.

He stated: "Once the forces were separated, there was no opportunity to remove both the mines which the Peruvian Army sowed as well as those which we put in place. These mines are in the area which, at this time, is demilitarized. Fortunately, they present no danger to the civilian population because in that sector there are no civilians."

He indicated that the Ecuadoran National Army has appropriate engineering equipment to deactivate this kind of mine. However, any technical assistance which other countries might offer will always be welcome.

Referring to the demilitarization agreement in force, General Moncayo explained that on the Peruvian side detachment PV1 or "Soldado Pastor" is still in the demilitarized zone.

Paraguay

Wasmosy Addresses Nation on 2d Anniversary of Presidency

PY1608040295 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 2332 GMT 15 Aug 95

[Speech by President Juan Carlos Wasmosy marking the second anniversary of his presidency; place not given — live or recorded]

[FBIS Translated Excerpt] Good evening, my dear fellow citizens. First, I would like to thank and congratulate all Paraguayans and foreigners living in our land for their show of respect and cordiality to the presidents

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of Argentina, Brazil, Bolivia, Chile, and Uruguay, who have just visited us. These presidents found, everywhere they went, that warmth and fraternal attitude that speaks wonders of our people. These are Paraguayans' historical characteristics, and we are proud of it.

Fellow countrymen, two years ago, we started fulfilling, together, our commitment to transform the nation. We have made a great effort on all imaginable fronts. Today I can say — and I am sure I am interpreting everyone's feelings — that we are happy to have a country that is struggling for its future in peace and freedom.

Political parties and groups with different opinions, and people on the streets, know that they are free. The entire country knows that Government Palace is not closed to anyone. We have an open heart and mind to listen to anyone coming to us in good faith.

During these two years we have also experienced economic growth. We have improved our national production. We are creating more wealth. We are fighting inflation. We are on a good path, and the concrete results are there for everyone to see. In the past two years the economy grew by 7.4 percent. The per capita income increased to $1,625. The livestock industry has recovered its lost faith and it is exporting more than last year, so much so that it currently has little left to export. There was an increase in basic services and in the dynamism shown by the commercial, industrial, forestry, and construction industries. The area under cultivation of soybean, cotton, and corn have increased. Our balance of payments closed in the black. Our goal with respect to inflation is 12 percent per annum, one of the lowest in the recent past. Everything indicates that we will achieve this goal.

The difficulties in the financial area are being resolved and the country preserves a stable and safe system. I want to make a special point of noting my administration's satisfaction at the agreement signed with the leaders of all political parties to reestablish normalcy in the national financial system.

This year economic growth will be higher than last year. We said that health and education would be an obsession — you probably recall this. We doubled the state investment in these areas and gave priority to health and education programs.

You are well aware that all societies have their own problems. Just look at the region and at the world. We face our problems with decision, with courage, and with effort, without dismay, and in peace. This is why we are successful. We still have problems and we are still far from our goals, but we still have three years. It is important, then, to review some of the achievements that we have realized thus far together. [passage omitted]

These are just some of this administration's accomplishments in the past two years. What is important is that we are marching, and that we are all walking the same path together. We still have a long way to go because our goals are very ambitious. I invite you to persevere in this effort, because if the challenge is great — and it is — the spiritual force of all Paraguayans is also great. This strength was evident with beautiful examples throughout our history. Are these difficulties greater, perhaps, than the difficulties faced by our grandparents, the founders of the fatherland? No. Certainly not. I have enormous faith in our people, in their capacity, prudence, and generosity. If we were able to unite during war, why not unite in this war against poverty, misery, and unemployment? I appeal to that invincible spiritual force, and I call on all of you to complete this task and to continue moving forward in the creation of a freer, more prosperous, and more just society. Fellow countrymen, we are on the right path. We need to work still harder, because only hard work can extricate us from under-development and backwardness. We must train ourselves and move forward together. Dear fellow countrymen, may you have a good evening, and may God bless us all.

Government, Opposition Financial Crisis Plan Viewed

PY1108215595 Asuncion NOTICIAS in Spanish 11 Aug 95 p 20

[FBIS Translated Text] The government and opposition parties yesterday announced a joint proposal for economic recovery. The deal follows growing violent demonstrations by savers who have been defrauded by some banks, in the midst of a generalized credit cuts and the start of a recessive tide.

The first measure, which is probably the most urgent one, is a census of defrauded savers, a prior step before they can be properly assisted. Those who were cheated will have to wait still longer.

The proposal states that the multiparty commission created to this effect will organize a census of those who have securities that can be claimed, as well as of those who were deceived with lies — including those who invested on the "black" market.

The document says this multiparty commission will study claims, make recommendations, and suggest the scope of assistance.

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CBI [Congressional Investigating Committee]

One of the main proposals — which seeks the reestablishment of trust in the banking system — involve restricting the prerogatives of the CBI and all attempts to intervene into the affairs of suspicious companies.

The document clearly establishes that "every effort should be made" to avoid provoking financial disorders (from the judicial branch or congress, it is understood) "before the investigations by the appropriate specialized agencies are concluded" (referring to the Paraguayan Central Bank [BCP] and the external audits of the companies in question).

Stability

The document establishes that all measures must be implemented concurrently with other efforts in order to achieve financial stability.

It is obvious, however, that the proposed rescue operation (which principally refers to the banks with problems) will mean the BCP will have to issue money, which in some way will affect inflation.

The final cost of the crisis, after the inflation spiral is reactivated, will fall on consumers and on the shoulders of the depressed incomes of salary earners.

Losses

The document says that all BCP assistance to entities with problems (which is authorized next) and its corresponding losses, will be added to the debts of the BCP with the Treasury.

In other words, all BCP losses will join the list of BCP commitments that were never paid back.

This means the entire population will finance the deficit in the financial system.

Total Benevolence with BCP Directors

The document-agreement proposed for achieving economic recovery and the return of trust in the financial system, which was signed by the most important opposition parties and the government, is very benevolent to BCP board of directors.

Far from urging a fight against corruption, in this particular case, the document proposes "a vote of confidence" for the officials in charge of the main national bank.

The document sets aside all possible punishment for the serious negligence of directors who continue in their posts, and encourages "a new start" to overlook the events that unleashed last April's financial crisis.

The joint communique does not mention the fact that the BCP board of directors (four members continue in their posts) was duly and repeatedly notified of irregularities by their own subordinates.

In March, during a BCP directors evaluation meeting in Vapor Cue, the Superintendency gave a detailed report to the bank directors and managers mentioning irregularities detected in each bank department.

The directors, however, did not adopt any measure to correct the situation until after the scandal that was provoked by the missing 7.4 billion guaranies from the institution's vault.

Measures to Alleviate the Crisis

— the designation of a new Central Bank president,

— the designation of a BCP member with Senate approval,

— a vote of confidence to the current board of directors,

— the approval of measures to reorganize the BCP,

— to express a desire to speed up the trials of directors,

— to avoid measures that affect savers' trust, the system's stability, or the provocation of sudden financial movements prior to the completion of the investigations by specialized agencies,

— to clearly publish what was done by the BCP during the crisis, making clear what has been paid to legal savers and people holding current accounts,

— to inform the public that the payment to holders of legal documents will continue during interventions,

— to ask Congress to approve a law authorizing post-dated checks (advance issuing of checks that can be cashed at a later date) in order to reactivate the credit chain,

— to ask the BCP to continue to supervise financial entities and to establish alternatives to legalize "black" market accounts and their corresponding "black" market accounting system,

— to ask Congress to urgently pass the banks bill.

Peru

Envoy to Ecuador To Assume Post

PY1608020795 Madrid EFE in Spanish 0010 GMT 15 Aug 95

[FBIS Translated Excerpt] Lima, 14 Aug (EFE) — The Peruvian Foreign Ministry announced today that it has decided to send, in the next few days, its new

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ambassador to Quito, Ecuador, Hugo Palma, to that city to assume his post.

The Foreign Ministry released a note in Lima today saying that the beginning of the new ambassador's activities "should be understood as an additional sign of the Peruvian good will for relaxation and the normal development of relations with Ecuador through normal diplomatic channels."

The official note states that Ambassador Palma's activities will begin at a time when "important progress" has been made in the process of fulfilling the Itamaraty Peace Declaration. [passage omitted]

Business Leader Presents Investment Plan

95SM0454E Lima CARETAS in Spanish 20 Jul 95 pp 28-29, 86

[Unattributed article]

[FBIS Translated Text] In tune with the spirit of modernism and making use of the magic of multimedia communications, businessman Miguel Vega Alvear, the president of Pro Desarrollo [For Development] has presented the Peruvian Business Plan [PEP] on behalf of the National Confederation of Private Business [Confiep].

At the exhibit held in the auditorium of the Museum of the Nation, on Wednesday, 19 July, Vega Alvear made use of the flexibility of data processing to demonstrate a detailed inventory of the country's resources, following which he proceeded to propose a list of numerous investment projects.

The developmental strategy proposed by the PEP calls for assigning priority to an ambitious infrastructure program, involving above all highways, ports, and airports, to link the country with the rest of the world.

The PEP presents Peru as a country open to investments, which has enormous resources to be developed—and above all, has opportunities for profitable businesses.

In his explanation, Vega Alvear displayed the crown jewels, with an announcement that currently only one-eighth of the mining wealth existing in the country is being exploited.

Among the jewels mentioned were the 27 million metric tons of proven reserves of high-grade copper awaiting the influx of capital in order to be exploited. Much zinc remains to be exploited as well, since the probable reserves exceed seven million metric tons. He also explained that there is a veritable gold mine to be found in the exploitation of iron, the probable reserves of which total 2.8 billion metric tons.

The list of assets showed that the country has the second largest deposit of phosphates in the world (570 million in reserve).

While the PEP presentation did immediately bring to mind the statement by Antonio Raimondi to the effect that Peru is a beggar sitting on a golden bench, on this occasion not only was a detailed list of the multiplicity of our potential wealth presented, but a detailed list of investment projects to set to work on them was provided.

The Pro Desarrollo study divides the country into seven zones, in each of which a team of professionals has been organized.

The North PEP (12.3 percent of the GDP [gross domestic product]) includes two subzones, the Grau PEP (Tumbes and Piura) and the Northeast PEP (Lambayeque and Amazonas, as well as the provinces of Jaen and San Ignacio in Cajamarca).

The Amazon PEP (6.9 percent of the GDP) includes the departments of San Martin and Loreto. The North Central PEP (9.3 percent of the GDP) includes the departments of La Libertad, Ancash, and Cajamarca (excluding the provinces of Jaen and San Ignacio).

The Center PEP (9.7 percent of the GDP) includes Pasco, Junin, Huanuco, and Ucayali, while the South PEP (11.6 percent of the GDP) covers the departments of Arequipa, Puno, Moquegua, and Tacna.

The proposal also sets forth a different scheme for the zone of extreme poverty that it subdivides into the Inka PEP (the departments of Cusco and Madre de Dios) and the Extreme Poverty PEP, which includes the departments of Apurimac, Huancavelica, and Ayacucho.

Finally, the seventh zone, called the Lima/Ica PEP, includes the departments of Lima and Ica and the Constitutional Province of Callao. Obviously, this is the richest zone, and it already accounts for 45 percent of the GDP.

The authors of the PEP maintain that this study complements that carried out by the North American consulting firm Monitor Company, on commission from Minister of Industry Lilliana Canale. This is because, while Monitor proposes bringing together production factors, the PEP proceeds to the identification of specific projects.

Included in the business proposal is the suggestion that a great South American common market be created. In other words, there would be no hindrance at all for the marketing of goods and services, or for the transit of individuals, across borders.

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Vega Alvear maintained that the current model of integration has been frustrated because the European model of the Treaty of Rome—that is to say, the first attempt to organize a free trade zone, after seeking a customs union, and finally ending up with a common market—was copied.

If indeed this is the logical order, priority is given in the subregional agreements to expanding domestic markets, before generating a veritable export platform directed toward the rest of the world.

Among the domestic advantages the PEP lists, a basic place is occupied by our enviable geographic location, which allows a projection toward the Pacific Basin from the central zone of the South American Pacific Coast.

Another of the novel proposals put forth last Wednesday was the creation of a technological center entirely financed by the private sector.

Vega Alvear and the 60 experts accompanying him have been joined in this business crusade by George Schofield, of Universal Textile; the paper industrialist Cristobal Rosas; and Guillermo Van Oordt, Jose Valdez Calle, and Carlos Ruibal Franco (tourism), who make up the board of directors; while the spokesman for the agrarian sector is Alberto Massaro, with Felipe Thorndike speaking for the energy sector and Guillermo Flores Pinedo for the mining industry, among others.

Uruguay

Sanguinetti Views Pro-tempore Presidential Goals

PY1408145295 Buenos Aires TELAM in Spanish 1302 GMT 13 Aug 95

[Article by unidentified correspondent]

[FBIS Translated Text] Montevideo, 13 Aug (TELAM/SNI) — Uruguayan President Julio Maria Sanguinetti has said his country must take the initiative in the task of consolidating Mercosur [Common Market of the South] and of achieving the membership of Chile and Bolivia in the Treaty of Asuncion.

Referring to the fact that Uruguay is currently the pro-tempore president of Mercosur, Sanguinetti said it is "a heavy but beautiful responsibility," and insisted that his country "will successfully conclude Mercosur's negotiations with the EU."

He said that during the 6 months that Uruguay will be the pro-tempore president "it will consolidate and increase" regional integration and "insert it into the international scene."

Uruguay formerly assumed as pro-tempore president on 31 July and it will hold the post until January 1996. Paraguay was the previous temporary presidency.

Sanguinetti said that to consolidate regional integration it will be necessary to "strengthen institutions, achieve congressional approval of the Ouro Preto agreements, and get Mercosur's private forum functioning."

'Formal Protest' Presented on Brazilian Trade 'Obstacles'

PY1608012895 Madrid EFE in Spanish 1444 GMT 15 Aug 95

[FBIS Translated Text] Montevideo, 15 Aug (EFE) — Local newspapers reported today that the Brazilian Government approved, in the past few days, various measures that Uruguayan entrepreneurs said really constitute non-tariff obstacles against Uruguayan exports. The Uruguayan Government has presented a formal protest.

The new administrative import requirements have created difficulties, particularly to the Uruguayan textile industry.

Entrepreneurs told EL OBSERVADOR, of Montevideo, that the obstacles derive from the issuing of import permits within the framework of the Commercial Expansion Protocol (PEC) that regulates Brazil's and Uruguay's bilateral trade.

Uruguayan Government officials said the Brazilian Commerce Secretariat last week ordered that import requests made outside the Common Market of the South (Mercosur — Argentina, Brazil, Paraguay, Uruguay —) agreements framework be sent to the Rio de Janeiro technical department on tariffs.

The sources said that the situation will not only affect business dealings closed within the PEC framework, but also those closed within the framework of the Economic Complementary Agreement in effect between Argentina and Brazil.

The difficulties prompted the Uruguayan Government to present a formal protest to the Brazilian Government.

The transformation of PEC import permits into Mercosur import permits delays the entry of goods, creating difficulties for Uruguayan exporters and Brazilian importers, who find it more problematical to fulfill obligations toward their clients.

Sources Cited on Preparations for 24 Aug 'Violent Actions'

PY1608030195 Montevideo EL PAIS in Spanish 11 Aug 95 p 1

[FBIS Translated Text] Our country's intelligence services have uncovered preparations for street riots to be carried out on Monday, 14 August (on the occasion of the anniversary of Liber Arce's death), to determine "the

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reaction capability" of the police force. According to information obtained, the street riots of 14 August come within the framework of allegedly more violent actions to be carried out, presumably on 24 August, on the occasion of the first anniversary of the incidents that took place in the neighborhood of the Filtro Hospital, when persons accused of being members of the ETA were extradited.

In remarks to EL PAIS, the sources, who asked not to be identified, indicated that "on Monday, on the occasion of the anniversary of a student's death more than 20 years ago, violence will be used to test the reaction capability of the police, specifically, the Granaderos and Coraceros Guards, and to see how far they will go in terms of repression."

The sources stated that "this affair on Monday will be a type of preparation for other violent actions to take place on 24 August." It has been learned that groups of ultra-radical students are calling for demonstrations to recall the anniversary of Arce's death.

Other reports indicate that within 14 days there will be the first anniversary of the bloody confrontations between police and leftist demonstrators who wanted to prevent the extradition to Spain of three persons accused of ETA membership.

The tragic outcome of the disturbances left one demonstrator dead and some 100 others wounded, including approximately 30 policemen, in the worst street incidents to occur in our country in 20 years.

A so-called Permanent Human Rights Committee, which was created after last year's disturbances, is calling for a demonstration on 24 August in front of the Filtro Hospital, where the three Basques were interned due to a hunger strike they had initiated in an effort to avoid extradition to Spain. It seems that this committee is controlled by ultra-leftist militants.

Pamphlets found on the streets of Montevideo contain a call to "fight" on 24 August.

Police circles have not been able to hide the existing "deep concern" regarding a possible outburst of street violence, and it has been indicated that some relevant measures, intended to safeguard and dissuade, "are being implemented," but they have not been disseminated.

Muslim 'Terrorists' Settling in Eastern Paraguay

PY1508174595 Montevideo BUSQUEDA in Spanish 3 Aug 95 p 60

[FBIS Translated Text] It was learned at the antiterrorism summit [in Buenos Aires on 1-2 August] that Muslim terrorists "without work" are persistently transiting Uruguayan and Brazilian territory to settle in Ciudad del Este, an important Islamic enclave in Paraguay.

During the meeting, which was held behind closed doors, Paraguayan Interior Minister Carlos Podesta said that hundreds of young people who had enlisted in Muslim terrorist groups "were left without work" after the peace agreements were signed with Israel. Thus, he explained, they have decided to settle in Paraguay, where they have relatives.

Podesta reported that Argentine, Brazilian, and Uruguayan Police have cooperated with Paraguayan police in the surveillance of these people, but it is unknown whether they will resume their activities.

When asked by BUSQUEDA, Podesta explained that these people arrive in Paraguay through Brazil and Uruguay, and that in the past few days Uruguayan Police had been gathering information in Paraguay. He added that weapons are sold freely in Ciudad del Este, pointing out that Argentines and Brazilians purchase the AR-15 rifle and the Uzi submachine gun there.

"I am sorry, minister," Podesta told Carlos Corach, his Argentine colleague, "but I don't know where those weapons end up."

Venezuela

Colombian Foreign Minister Remarks on Bilateral Issues

PA1608040595 Caracas EL UNIVERSAL in Spanish 14 Aug 95 p 1-10

[Unattributed article]

[FBIS Translated Text] Despite the fact that the meeting held by the Colombian and Venezuelan foreign relations ministers between 9 and 12 August was marred by the Colombian internal crisis, the aspects characteristic of a deeply paradoxical relationship surfaced once more.

A commercial exchange expected to exceed 2 billion bolivares is placed on one of the trays of the scale. On the other tray, there are such hot topics as border security, stolen vehicles, and the Gulf of Venezuela, the most constant issue of them all.

However, there are certain distractions among the positive issues, distractions such as eventual protectionist measures against Venezuelan steel exports, which seemed to be a matter of honor for Venezuela in this meeting.

Rodrigo Pardo and Miguel Angel Burelli Rivas never skimp on efforts to be cordial and praise one another; however, in the diplomatic arena, they maintain what a

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Santa Fe de Bogota daily, making a play on words with the issue under discussion, called "relations of steel."

To be honest, the Colombian foreign minister is a finished sample of metal fists wearing silk gloves. His answers to issues included in the bilateral agenda attest to this.

[EL UNIVERSAL] What are Colombia's expectations on the resumption of negotiations by the Negotiating Commission on Delimitation of Marine and Submarine Areas and Other Matters in Washington this week?

[Pardo] The expectations are basically the same ones we have always had. We want to address the issues that were entrusted to the commissioners in order to tap formulas of agreement that, whenever they are used and whenever they are politically due, they will be subjected to the governments' consideration.

[EL UNIVERSAL] Why has Colombia failed to include tangible data such as figures, routes, and those responsible, in its reports on gunrunning from Venezuela, as Venezuela has done regarding stolen vehicles?

[Pardo] That is not true. The thing is that the existing information on this type of phenomenon is less specific given its true nature. It is quite difficult to count smuggled weapons precisely because we are dealing with smuggling here. The same goes for drug-trafficking figures. We have estimates on which we cannot fully rely because it is hard to count on statistics the data of which are absolutely conclusive. [sentence as published] The important thing is for us to face this type of problem in a more binational fashion. What the two countries can do to prevent these incidents is what is important. What is undesirable is to fall in a situation of mutual recriminations, instead of realistically accepting that these phenomena occur in our two territories, and therefore, require cooperation to correct them, for the two countries' sake.

On the specific problem of steel, Pardo has opted to downplay it. In his opinion, it is not one of the several state issues handled as part of the Colombian-Venezuelan relations, but merely an item, a subissue within the major commercial exchange issue.

Certain Colombian media treat the affable Pardo-Burelli meetings ironically. Given their age difference, they could be father and son. LA PRENSA on 12 August run the headline "And They Ate Partridges" over a picture in which the two ministers are shaking hands. However, the relations are far from happy due to the magnitude of their pending problems.

One of such problems is making the visit Rafael Caldera plans to make to Santa Fe de Bogota in early September a reality. This is an issue on which the Venezuelan diplomacy has opted to behave in a strategically aloof fashion.

For obvious reasons, Pardo has exerted a great deal of pressure to have the visit suspended, given the possible interpretations it could have given the current condition of the Samper government. "I hope Caldera comes," Pardo, who this time is not wearing any gloves whatsoever, said.

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